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**Creating a New Shanghai: the End of the British Presence in
China (1949-57)**

Jonathan J. Howlett

A dissertation submitted to the University of Bristol in accordance with the requirements for
award of the degree of Doctor of Philosophy in the Faculty of Arts, February 2012.

80,000 Words

Abstract

This thesis provides a fundamental reassessment of the limits of the power of the Chinese Communist Party in the years following its takeover of China in 1949 through an examination of its policies towards eliminating British businesses from Shanghai. In the early years of the People's Republic of China, the Party sought to eliminate all foreign influence. It wanted to reset completely China's foreign relations following what was portrayed as a century of 'national humiliation'. It has previously been assumed that the CCP went about this task in a pre-planned and thoroughly ruthless manner, and that their policy making was primarily motivated by their anti-imperialist sentiments. This thesis argues that the CCP decided to take a long-term and pragmatic approach in order to prevent economic instability. Revolutionary transformative goals were compromised in order to preserve short-term stability. Rather than having a grand plan for the elimination of British businesses, the CCP's policy was often contingent and provisional. Policies directed at Chinese businesses were often adapted to pressure British businesses. The CCP lacked skills, knowledge, resources and manpower. This thesis contributes to a growing literature on China in the early 1950s by suggesting that the CCP was not strong, it was in fact weak, but that its great strength lay in its awareness of its own weaknesses and in its ability to work around them.

Dedication and Acknowledgements

Over the course of writing this thesis I have incurred many debts both academic and personal that I wish to acknowledge. I would like to begin by offering my sincere thanks to my supervisor, Professor Robert Bickers, for all his support, encouragement and patient advice not only during the past three years of doctoral work, but throughout my university career. Such a statement of thanks can scarcely begin to repay my intellectual and personal debts of gratitude.

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Yao Kang, a former director of John Swire & Sons and his daughter Betty Yao were kind enough to be interviewed for this project. Mr Yao's contributions form the basis for the section 'Yao Kang and the Closure of Butterfield & Swire's Insurance Department' in Chapter Four. Our interview was also invaluable for forming an appreciation of the human dimension of these events that, I hope, has informed the thesis throughout. On a similar vein, I would like to thank Gao Sen, a former Shanghai Foreign Affairs Department cadre who, although unable to be interviewed, gave me a copy of the *Shanghai waishi zhi* that has been referred to throughout this thesis.

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Author's declaration

I declare that the work in this dissertation was carried out in accordance with the requirements of the University's Regulations and Code of Practice for Research Degree Programmes and that it has not been submitted for any other academic award. Except where indicated by specific reference in the text, the work is the candidate's own work. Work done in collaboration with, or with the assistance of, others, is indicated as such. Any views expressed in the dissertation are those of the author.

SIGNED:  DATE: 22nd February 2012

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Introduction

In May 1949, the Chinese Communist Party (CCP) seized control of China's largest and most economically important city: Shanghai. The capture of Shanghai signalled the CCP's effective victory in their long war against their rivals, the Guomindang (Nationalist Party) and established them as *de facto* rulers of China. Taking this major industrial and financial centre was a great coup for the CCP in both symbolic and practical terms. The city's economy could now be harnessed to further the revolution. Yet the Communists viewed the prospect of running Shanghai with temerity. The eyes of the world were upon them: both foreign and Chinese observers watched to see if they were capable of running such a city. Furthermore, the city was the epitome of all that the CCP disliked about 'old China': it was home to the people the CCP saw as the worst exploiters and reactionaries. Worst of all, it had become China's most foreign-influenced city over the course of what the CCP saw as a century of national humiliation.

This thesis provides a fundamental re-assessment of strength of the CCP at the time of its victory in 1949 and in the formative years that followed. This is done through an exploration of its everyday and transformative management of Shanghai, specifically via the case study of the elimination of the British business presence in the city. Shanghai had been the centre of foreign influence in China for over a hundred years. This made it a semi-colonial city in the eyes of the Communists. How, then, would they set about transforming it? It is argued that, rather than being a shadowy group of radical ideologues concerned only with expropriating foreign property, the CCP demonstrated a great deal of pragmatism as they sought to balance their revolutionary goals with their need for stability while they consolidated their new regime.

How do we understand the transformation that the city underwent in the following years? How did party officials attempt to exercise control over this resilient, free-wheeling city, which was strongly embedded in global trading networks? How did they turn it into the utopian 'New Shanghai' celebrated in their publications and propaganda discourse? In the process of answering questions such as these, we come to a greater understanding of the nature of Communist state-building efforts in the early years of the People's Republic of China (PRC).

Conventional narratives have tended to portray the early years of the PRC as a relatively stable 'golden era' at the end of the Chinese Civil War, which was then overshadowed by the turmoil of Mao Zedong's later years. This interpretation is particularly appealing to China's present rulers as they seek to base their current legitimacy on the successes of the early years of the revolution and distance themselves from the excesses of the Mao era. As historians have focused their attentions on this exciting period of transition, it has become increasingly obvious that this was not a 'golden era' of stability.¹ As Joseph Esherick has observed, the revolution of 1949 represented a 'watershed, not an unbridgeable chasm.'² There were significant continuities as well as significant changes across the '1949 divide.'³ The early 1950s was a period of turbulence. This was a period and often contentious negotiation between different groups as to what form the new society would take. Some resisted the CCP openly, while others sought roles in the new order. The result of these early explorations is that both the extent of the CCP's power and their revolutionary successes have come to be seen as much more limited than was once imagined.⁴

The issue of how to deal with the remaining foreign presence in Shanghai was fraught with difficulty for the CCP. Foreign firms, especially British ones, dominated whole sectors of the city's economy: from banking and finance to shipping, public utilities and real estate. They had inherited a shell-shocked city that had undergone a series of economic crises culminating in a great inflationary spiral in 1948.⁵ Unemployment had reached crisis levels and labour unrest was common.⁶ The Communists' first priority on entering Shanghai was, therefore, to curb inflation and to ensure economic stability. Long-term revolutionary goals had to be held in abeyance. Their approach towards foreign businesses had to be cautious. As well having one eye on the economic situation, they also wished to avoid giving foreign powers excuses for intervening directly in the ongoing civil war. How would they balance their search for

¹ Julia Strauss, 'Morality, Coercion and State Building by Campaign in the Early PRC: Regime Consolidation and After, 1949-1956,' *The China Quarterly*, 188 (1), (2006). pp. 891-912.

² Joseph W. Esherick, 'Ten Theses on the Chinese Revolution,' *Modern China*, Vol. 21, No. 1, IV (Jan., 1995), p. 48.

³ Paul A. Cohen, 'Reflections on a Watershed Date: the 1949 Divide in Chinese History' in Jeffrey N. Wasserstrom (ed.), *Twentieth Century China; New Approaches* (London: Routledge, 2003), pp. 27-37.

⁴ Jeremy Brown and Paul G. Pickowicz (eds.) *Dilemmas of Victory; the Early Years of the People's Republic of China* (Cambridge Mass.: Harvard University Press, 2007), pp. 105-129.

⁵ Chang Kia-ngau, *The Inflationary Spiral: The Experience in China, 1939-1950* (Massachusetts: MIT Press, 1958).

⁶ Elizabeth J. Perry, *Patrolling the Revolution: Worker Militias, Citizenship, and the Modern Chinese State* (Lanham, Md.: Oxford: Rowman & Littlefield Publishers, 2006).

stability with their desire for revolutionary transformation? How did this contradiction in their goals play out at the ground level?

English language accounts have tended to portray Shanghai as a foreign city within China and to examine the elimination of the British business presence in isolation from the wider Chinese context. Such a clear division belies the complex situation on the ground. The CCP often did not produce policies specifically targeted towards foreigners. Rather, they adapted and intensified existing policies and techniques as a way of dealing with foreigners. The foreign and Chinese economies were inextricably linked: there was no clean division between the two. Foreign companies often depended entirely on Chinese raw materials, markets and capital. The very running of these companies depended on Chinese 'comprador' middle men, workers, agents, managers and shareholders.⁷ We must, therefore, consider the CCP's actions towards foreign businesses within the context of both their domestic and foreign policies.

Although they have been portrayed as ruthlessly efficient and almost omnipotent in both Chinese and English language literatures, much of the CCP's policy was, in reality, provisional. Their power was limited by a severe lack of manpower, knowledge and resources. Their aim was to completely transform Shanghai, but because dealing with foreigners was of secondary importance to them compared with other domestic Chinese problems (such as public order and economic stability), they took a long-term and flexible approach. The CCP were not strong and efficient, but weak. Their strengths lay in their awareness of their weakness and their ability to work around it, and in their willingness to use ruthless force when they considered it necessary. Long-term revolutionary goals, such as the total elimination of foreign businesses, were compromised in favour of short-term economic stability.

⁷ Robert A. Bickers, *The Scramble for China* (London, Allen Lane, 2011), pp. 102-3; Yenping Hao, *The Commercial Revolution in Nineteenth-Century China: The rise of Sino-Western mercantile capitalism* (Berkeley: University of California Press, 1986).

The Communist takeover was preceded by over a century of war and instability. In the mid-nineteenth century, the declining Qing Dynasty had suffered from the twin shocks of foreign encroachment and domestic civil wars. The Sino-British Opium War (1839-1842) was the first in a series of wars against mercantile European powers who were intent on 'opening' China to trade. Later, the Europeans would be joined by the Japanese. The foreigners extracted numerous concessions from the Chinese, the most visible of which was the opening of Chinese ports to foreign trade and residence. By the end of the nineteenth century, the Chinese coast was lined by a network of interlinked treaty ports.⁸ Internally, the state was challenged and weakened by a series of rebellions and civil wars, including the Nian Rebellion (1851-1868), the Taiping Rebellion (1851-1864) and the Boxer Uprising (1899-1901).

Shanghai was the centre of the British endeavour on the Chinese coast. For over a hundred years, it sat at the periphery of the British empire. It was inextricably linked to broader networks of imperial economics, population movement and culture.⁹ Its strategic position on the Huangpu River near the mouth of the great Yangzi ensured it a commercial significance that came to be matched by its symbolic significance as it developed into China's most foreign-influenced city, and the birthplace of a particular kind of Chinese 'modernity.'¹⁰

After opening as a treaty port in 1843, Shanghai became the largest city in Asia: the 'Paris of the East.' It attracted people from across the world, of all nationalities, occupations and classes. The foreign concessions reluctantly granted by the Chinese to the British and Americans had evolved into a somewhat peculiar 'International Settlement', which formed part of an administrative triumvirate, along with the French Concession and the walled Chinese city. While the French had opted to retain direct control over their concession through their consul, the International Settlement was not controlled by the British

⁸ Robert A. Bickers, *Britain in China: Community, Culture and Colonialism, 1900-49* (Manchester: Manchester University Press, 1999).

⁹ Robert A. Bickers, *Empire Made Me: An Englishman Adrift in Shanghai* (London: Allen Lane, Penguin and Columbia University Press, 2003), pp. 3-6.

¹⁰ David Strand, 'New Chinese Cities,' in Esherick, Joseph W., (ed.), *Remaking the Chinese city: modernity and national identity, 1900-1950* (Honolulu: University of Hawai'i Press, 2000), pp. 211-224; Samuel Y. Liang, *Mapping Modernity in Shanghai: Space, gender and visual culture in the sojourners' city, 1853-98* (London: Routledge, 2010).

Government. The Settlement was run by the Shanghai Municipal Council, an oligarchic and exclusive body elected by wealthy rate-payers and dominated by British business interests. The Council had regulated and administered. It established a police force and presided over the provision of public utilities on the European model.¹¹ The Settlement became the economic heart of Shanghai.

The question as to whether this constituted 'informal empire,' 'semi-colonialism' or something entirely different continues to be a matter for debate. Regardless of the label applied to it, the foreign presence in China certainly had some of the characteristics of imperialism: including the creation of territorial enclaves; extraterritoriality (foreigners were subject to the laws of their own countries rather than to Chinese law until 1943); racial discrimination against the indigenous population; the presence of foreign troops in the concessions; frequent intervention in domestic and foreign policy and the forced admission of evangelising missionaries.¹² Jürgen Osterhammel has argued that perhaps the best way of imagining British imperialism in China is as a 'business system', built on the interlocking interests of British firms, their immunity from Chinese law and their ability to organise into pressure groups. This business community was independent from, but supported by, the British state.¹³

The elite of the International Settlement were the 'taipans', the 'old China hands' who ran the great merchant 'hongs' that dominated trade on the Chinese coast. Foremost among them were Jardine, Matheson & Company and Butterfield & Swire. British-owned textile mills and light manufacturers based themselves here in order to sell their products to the millions in the vast hinterland. The city's commercial nature was made manifest in its most famous landmark, the Bund. This was the long line of banks, consulates and merchant houses that lined the bank of the Huangpu and provided what W.H. Auden and Christopher Isherwood termed 'the façade of a great city.'¹⁴ The city's tall buildings became the most visible mark of foreign imperialism in

¹¹ Bickers, *Britain in China*; Bickers, *Scramble for China*.

¹² For a much longer list see Jürgen Osterhammel, 'Semi-Colonialism and Informal Empire in Twentieth Century China: Towards a Framework of Analysis,' in W.J. Mommsen, and Jürgen Osterhammel (eds.), *Imperialism and After: Continuities and Discontinuities* (London: German Historical Institute, 1986), pp. 290-291, 299-300.

¹³ *Ibid.*, pp. 302-309.

¹⁴ W.H. Auden, and Christopher Isherwood, *Journey to a War* (London: Faber & Faber Ltd., 1939), p. 252.

China, and of a modernity either forced upon her, or that she had embraced willingly, depending on the observer's ideological standpoint.

Figure 1: The Shanghai Bund c. 1929



Figure 2: The Bund and Huangpu River, Shanghai, 1945



The large white building in the background is the former Compagnie des Messageries Maritimes building, which is now the Shanghai Municipal Archives

The Shanghai British asserted a strong sense of ownership over the city. They took a great deal of pride in their role in the development of this modern, cosmopolitan and industrial city. They were the ones, they proudly stated, who had built it up from a fishing village on a muddy flat into the largest, richest and most exciting city in Asia.¹⁵ Chinese historians have echoed this narrative, and have presented the story of foreign involvement as a fairly simplistic history of foreign aggression and Chinese resistance, led, of course, by the CCP.¹⁶ Scholars in the West have long criticised this overly simplistic approach: the foreign presence was by no means monolithic. It was diverse, multi-racial, and divided in purpose.¹⁷ Relations between foreigners and Chinese people were similarly complicated, ranging over time and place from enthusiastic cooperation to outright antagonism. The situation in China was unique, and the role of the foreign presence there cannot easily be categorised as 'imperialist', 'colonial' or even 'semi-colonial.' All of these terms deny the ambiguity, negotiation and interaction that characterised life in treaty port China. Bickers and Wasserstrom have argued that, although there undoubtedly was racism and violence, Shanghai's rapid growth was born of Sino-foreign communication and cooperation.¹⁸

The small 'fishing village' of the foreigners' founding myth had not existed. Shanghai was a prosperous provincial town with a population of around 200,000 when the foreigners arrived.¹⁹ Chinese people had flooded into the booming city to take advantage of the benefits afforded by its peculiar legal status, convenient trade links, employment opportunities and international nature. The whole foreign enterprise had relied on Chinese cooperation, capital and labour. Chinese life went on in the city, often with a degree of contact with foreign influences, but also often in isolation from them.²⁰ Shanghai flourished as a peculiar entity: a

¹⁵ Robert A. Bickers, 'Shanghaianders: The Formation and Identity of the British Settler Community in Shanghai, 1843-1937', *Past and Present*, No.159 (May 1998), pp. 161-211.

¹⁶ See for example Hu Sheng, *Imperialism and Chinese Politics* (Westport, Connecticut: Hyperion Press Inc., 1955, English edition 1973).

¹⁷ See for example Chiarra Betta and Claude Markovit's chapters on Sephardic Jews and Indians in Robert A. Bickers and Christian Henriot (eds.) *New Frontiers: Imperialism's New Communities in East Asia, 1842-1953* (Manchester, Manchester University Press, 2000).

¹⁸ On this debate see for example; Osterhammel, 'Semi-Colonialism and Informal Empire'; Bryna Goodman, 'Improvisations on a Semicolonial Theme, or, How to Read a Celebration of Transnational Urban Community,' *The Journal of Asian Studies*, Vol. 59, No. 4 (November 2000), pp. 917-921; Robert A. Bickers, and Jeffrey N. Wasserstrom, 'Shanghai's "Dogs and Chinese Not Admitted" Sign: Legend, History and Contemporary Symbol,' *The China Quarterly*, No. 142 (June 1995), pp. 462-6.

¹⁹ Bickers, *Scramble for China*.

²⁰ Lu Hanchao, *Beyond the Neon Lights: Everyday Shanghai in the Early Twentieth Century* (Berkeley: University of California Press, 1999); Liang, *Mapping Modernity in Shanghai*.

city administered by foreigners, but populated overwhelmingly by Chinese people. At the time of the Communist takeover in May 1949, foreigners made up only around 0.6% of the city's population of over five million.²¹

Auden and Isherwood's phrase the 'façade of a great city' implied that behind Shanghai's Western and cosmopolitan exterior, there was another city, chaotic and Chinese city.²² Shanghai was not a 'foreign city' within China, but rather a hybrid city in which foreign imports from cosmetics to Communism were used, appropriated and assigned new meanings. What is undeniable, however, is that foreign imperialism had a huge symbolic and psychological impact.²³ Nationalists did not doubt that their country had been the subject of imperialist aggression. Their world view was shaped in response to acts of violence (real, perceived, military, economic, cultural or otherwise) perpetrated by Western powers. Shanghai was particularly significant in the development of Chinese nationalism. Many identify the May Thirtieth Incident of 1925, in which Chinese and Indian police under British command fired on Chinese protestors in a Shanghai street, as the moment that first gave rise to Chinese anti-imperialism.²⁴

The British presence in Shanghai in 1949 was not what it once had been. After the Guomindang successfully reunified China in 1927, concerted pressure had been exerted against 'imperialists' of all countries. Following this, British hegemony in East Asia had been challenged, first by the Japanese in the 1930s and then by the Americans in the 1940s.²⁵ After Japan entered the Second World War in 1941, the International Settlement was occupied. British property was confiscated and, perhaps more importantly, the assumed superiority and inviolability of Westerners was definitively discredited. As a gesture of wartime solidarity, the French Concession was returned by the Vichy Government to the Japanese-controlled puppet Chinese Government in 1943. Not to be outdone by the Axis, the British and

²¹ Figure based on 32,049 foreigners in Shanghai July 1949; Zhou Weiming, Tang Zhenchang, *Shanghai waishi zhi* (Shanghai Shehui Kexueyuan Chubanshe, 1999), pp. 334, 345, and Chinese population of 5,440,000 in December 1948 from 'Shanghai Gaikuang' [Shanghai Outline] in Shanghai Shi Danganguan (*Bian*), *Shanghai Jiefang* [Shanghai Municipal Archives (ed.), *The Liberation of Shanghai*] (Shanghai: Shanghai Sanlian Shudian, [Shanghai Third United Bookshop], 1999), pp. 3-6.

²² Auden, and Isherwood, *Journey to a War*, p. 252

²³ Albert Feuerwerker, *The Foreign Establishment in China in the Early Twentieth Century* (Ann Arbor, Mich.: Center for Chinese Studies, University of Michigan, 1976), p. 111.

²⁴ Esherick, 'Ten Theses,' p. 65.

²⁵ John Darwin, *After Tamerlane; the Global History of Empire Since 1405* (London: Allen Lane, 2007), pp. 469-71.

Americans also negotiated the return of the Settlement and the cancellation of their special privileges (including extraterritoriality).²⁶

The Guomindang's return to Shanghai in 1945 was a pillage. As Bergère has observed, 'a veritable army of carpetbaggers' descended on Shanghai to abuse their position as victors.²⁷ This was a portent of the corruption and mismanagement that was to come. After the war, the British had to fight hard for the return of the possessions that had been seized, first by the Japanese and then by the Guomindang as 'enemy property.' British firms remained dominant in certain sectors of the city's economy, but occupied a much weaker position than previously. They had been wrong-footed by both Chinese nationalism and by Japanese imperialism. On the international level, Britain became increasingly reliant on the USA.²⁸

In 1945, it had looked to all concerned, including the Communists' ideological ally the Soviet Union, as if the Guomindang would re-establish itself, defeat the Communists and lead China into a new post-war era where they would be recognised as a global power.²⁹ This promised stability never came. Economic crises and political turmoil cost the Guomindang their legitimacy. As the situation worsened they increasingly came to resemble the corrupt, inefficient and repressive reactionaries they were portrayed as in CCP propaganda. 1948 was a turning point: the military situation turned in the CCP's favour and inflation had spiralled out of control. In early 1949, the Guomindang's best American-trained and equipped units were destroyed: defeat was now almost certain.³⁰

²⁶ Robert A. Bickers, 'Settlers and Diplomats: The End of British Hegemony in the International Settlement, 1937-1945,' in Christian Henriot and Wen-hsin Yeh (eds.), *In the Shadow of the Rising Sun; Shanghai Under Japanese Occupation* (Cambridge: Cambridge University Press, 2004), pp. 229-256.

²⁷ Marie-Claire Bergère, *Shanghai; China's Gateway to Modernity* (Stanford, California: Stanford University Press, 2009), p. 325.

²⁸ Nicholas Clifford, *Retreat from China; British Policy in the Far East, 1937-1941* (London: Longmans, Green and Co. Ltd., 1967).

²⁹ Odd Arne Westad, 'Losses, Chances, and Myths: The United States and the Creation of the Sino-Soviet Alliance, 1945-1950,' *Diplomatic History*, Vol. 21, No. 1 (Winter 1997), pp. 105-115.

³⁰ For more on the Chinese Civil War see; Odd Arne Westad, *Decisive Encounters: the Chinese Civil War, 1946-1950* (Stanford, Calif.: Stanford University Press, 2003); Suzanne Pepper, *Civil War in China; the Political Struggle, 1945-1949* (Berkeley: University of California Press, 1978); Steven I. Levine, *Anvil of Victory: The Communist Revolution in Manchuria, 1945-1948* (New York: Columbia University Press, 1987); Joseph K.S. Yick, *Making Urban Revolution in China; The CCP-GMD Struggle for Beiping-Tianjin, 1945-1949* (London: M.E. Sharpe, 1995).

Britain in Shanghai on the eve of the Communist takeover

In May 1949, Shanghai was occupied by the People's Liberation Army (PLA). Their entrance into the city was watched with concern from London and Hong Kong. The more optimistically inclined saw this as the arrival of yet another in a long line of Chinese governments who would, of necessity, come to some form of accommodation with the British. After all, British commercial contacts were vital to the Chinese economy. They were to be proved wrong.³¹

The CCP had a long and ambiguous relationship with Shanghai. Many of the CCP's leaders had enjoyed long associations with the city, and some considered the modern, foreign-influenced city their spiritual home. The Party had been founded there in 1921, but it had also suffered its greatest defeat there in 1927 when the Guomindang, in cooperation with the foreign authorities and the city's criminal gangs, snuffed out the brief period of socialist insurrection known as 'the Shanghai Commune.'³² They therefore approached the running of this major modern city with a large degree of temerity in 1949. The uncertainty they felt was, perhaps, compounded by the usual feelings of excitement, bewilderment and distrust common to those used to rural surroundings when suddenly confronted with a metropolis. Shanghai's decadence, carnality and gross inequality were anathema to the moralistic and egalitarian Communists. Their negative view of the city was succinctly summed up in the following comment by a leading cadre in the Shanghai Foreign Affairs Department (FAD) in early 1950. Shanghai, he said, was the

largest of all the cities founded and developed according to the will of the imperialists using the blood and sweat of the Chinese people.³³

When the CCP entered Shanghai, they encountered a substantial number of foreigners and foreign businesses. There were around 32,000 foreigners in June 1949 and nearly 12,000

³¹ See for example: Hansard, Hong Kong Defences, Lord Strabolgi (Joseph Kenworthy) speaking in the House of Lords, HL Deb, Vol. 16, 3/2/49, pp. 543-5.

³² Stephen A. Smith, *A Road is Made: Communism in Shanghai 1920-1927* (Honolulu: University of Hawaii Press, 2000).

³³ Shanghai Municipal Archives [SMA] B1-2-3658, *Shanghai Waiqiao Shiwu Chu gongzuo zongjie (chugao)* [Shanghai Foreign Citizens Affairs Department draft summary of work], May 1949 to March 1950; 'largest of all the cities...' (*Zhe shi youyu shangsshi shiyong Zhongguo renmin xuehan, yizhao diguozhuyizhe de yizhi er jianli yu fazhan qilai de chengshi zhong zui da zhe*, 这是由于伤势使用中国人民血汗，依照帝国主义的意志而建立与发展起来的城市中最大者).

remained in December 1950.³⁴ Some 3,228 of the 28,683 foreigners present in November 1949 were British. There were also significant numbers of Americans, French, Russians (both Soviet and 'White') and stateless refugees. This large foreign community was served by a variety of different organisations. There were no fewer than 31 consulates, consulates general, embassies and representative offices. The CCP counted 58 different foreign-run social, cultural and publishing organisations, which provided the foreign community with news, entertainment and places to spend their leisure hours. Among these organisations were news agencies and radio stations.³⁵ There were four foreign news agencies and thirteen foreign newspapers.³⁶ One in every seven schools was foreign-run.³⁷

Table 1: Foreigners in Shanghai between 1942 and November 1949

	1942	1945	1946	Nov. 1949
British	5,865	670	3,102	3,228
French	2,000	2,109	3,872	1,279
German	2,538	2,251	1,496	889
Japanese	94,768	72,654	No Fig.	441
Other	9,941	9,422	17,564*	5,525
Portuguese	2,177	2,043	2,281	1,402
Stateless	28,994	31,811	11,468	2,393
USA	1,369	290	9,775	1,720
USSR	1,622	1,548	8,834	6,740
White Russian	1,657	**	7,017	5,066
Total	150,931	122,798	65,409	28,683

Source: adapted from Zou Yiren, Jiu Shanghai Renkou Bianqian de Yanjiu (Research on Population Change in Old Shanghai) cited in Zhou et al., Shanghai waishi zhi, p. 252.

³⁴ Zhou et al., *Shanghai waishi zhi*, pp. 334, 345.

³⁵ 'Shanghai Gaikuang', pp. 15-16, 126.

³⁶ SMA Y15-1-201-593, *Shanghai Gaikuang*; Xia Bian, *Waiqiao* [Shanghai Outline, Part Two, Foreigners], 04/49, pp. 601-602.

³⁷ SMA B1-2-3658, *Shanghai Waiqiao Shiwu Chu gongzuo zongjie (chugao)* [Shanghai Foreign Citizens Affairs Department draft summary of work], May 1949 to March 1950.

* This figure is unusually large due to an increase in numbers of people from countries such as Poland and Greece and the addition of some 5,000 Koreans and Vietnamese who had previously been counted as 'stateless.'

** White Russians were included in figure for 'stateless' at this time.

What were the CCP's aims when entering Shanghai? It is clear that the CCP wished to eradicate certain aspects of the old society: the imperialists, reactionaries and exploiters. They wanted to crack down on crime and immorality and rid the city of foreign influences. It is worth remembering, however, that the CCP's programme was not entirely aimed at destruction. They did not simply wish to abolish the old way of life in the city: they sought to transform it in positive ways. After the tragedies of the Chinese revolution have fully unfolded it is difficult to write about it without one's vision being obscured. In the early 1950s, however, the Chinese revolution was not necessarily destined for tragedy: it was an attempt to inspire and to create a new, more equitable and better world. Liu Shaoqi wrote in 1939 that, in the utopian Communist future, 'the spirit of mutual assistance and mutual love will prevail among mankind ... Such a society will, of course, be the best, the most beautiful, and the most advanced society in the history of mankind.'³⁸ The Communists sought to fundamentally improve the world. Ironically, it was this utopian goal that justified the violence and turmoil that was to follow.

Making it clear to all that Shanghai was now an independent Chinese city was imperative. In line with Marxist orthodoxy the CCP believed that China's political and cultural superstructure was defined by the economic relations that underpinned it. China's economy had been corrupted by imperialists and their Chinese compradors. It was vital to transform the economy to secure political independence.³⁹ To the Communists, Shanghai was 'not a productive city, rather it [was] a model consumerist city that serve[d] the bureaucrat, comprador, landlord and imperialist.' The city's economy was geared towards profit and not towards the best interests of the people. One of the most important material changes in the creation of the 'New Shanghai' was, therefore, the transformation of the city from a 'consumerist city' (*xiaofei chengshi*, 消费城市) into a 'productive city' (*shengchan chengshi*, 生产城市).⁴⁰

³⁸ Liu Shaoqi, 'How to be a Good Communist,' Liu Shaoqi, *Selected Works of Liu Shaoqi*, (Beijing: Foreign Languages Press, 1984) Vol. 1.

³⁹ Mao Zedong, 'On New Democracy,' January 1940, in *Selected Works of Mao Tse-tung* (Peking: Foreign Languages Press, 1969 (First Edition 1961, Third Printing 1969), Vol. II, pp. 338-84, 'A given culture is the ideological reflection of the politics and economics of a given society. There is in China an imperialist culture which is a reflection of imperialist rule, or partial rule, in the political and economic fields.'

⁴⁰ SMA B182-1-461-187, *Shanghai ruhe cong xiaofei chengshi zhuanbian wei shengchan chengshi, ru he bai tuo diguozhuyi de shufu wei gongren jieji fuwu* [How Shanghai turned from being a consumerist city into a productive one, how the binds of imperialism were escaped to turn towards serving the people], 25/4/53.

It is surprising then that, despite the fact that the CCP were obviously so keen to break the power of foreign companies and to fundamentally transform the economic relations that underpinned society, their emphasis was on stability. This was because they feared economic crises. Shanghai had been at the centre of a storm of inflation that had its roots in the 1937-1945 war with Japan and which had already brought down the Guomindang. Speculators had earned great fortunes while ordinary working people had seen their savings disappear. As factories had closed, Shanghai's famously militant workers had taken action. The approach of the Communists caused further problems as the most prominent capitalists fled to the safe havens of Taiwan and Hong Kong. Those who remained were extremely cautious and reluctant to risk making long-term plans. How would the CCP set about calming the mood in the city and reviving the economy without alienating either the capitalists or the workers?

Shanghai's capitalists were courted by the new authorities. They were guaranteed protection and profits in exchange for resuming production.⁴¹ Foreign businesses were also to be tolerated and protected as long as their owners did not break the law. Foreign businesses would not be nationalised: the CCP had neither the manpower, the expertise, nor the will to do so. In 1947, the CCP had been in control of relatively limited areas of north-west and north-east China: their rapid successes had left them with a real shortage of trained cadres and resources.⁴² As the PLA swept southwards from Manchuria to Beijing and Tianjin, across the Yangzi to Nanjing, on to Shanghai and from there onwards to Guangzhou in the far south and Chengdu in the south-west, they were faced with administering enormous areas of unfamiliar territory. There were administrative organs to establish, supplies to find, and 'counter-revolutionaries' to be eliminated. The sheer scale of this task was enormous.

Even the idea of administering Shanghai was daunting. The city was home to 5,440,000 people in December 1948 and population density in its central areas was higher than that of London or New York. Being home to more than 12,500 factories, Shanghai was also China's industrial centre. In 1948, 45 per cent of China's textile companies were located in Shanghai. The city was home to some 420,000 industrial workers. These workers were disgruntled, and in 1948 there were over 2,300 labour-capital disputes (six or seven every day). On the

⁴¹ Bergère, *Shanghai*, pp. 351-3.

⁴² Woodrow Wilson International Centre for Scholars' Cold War International History Project website: URL < http://www.wilsoncenter.org/index.cfm?fuseaction=topics.home&topic_id=1409 > Accessed 5th January 2011. Hereafter [CWIHP]. Also see the CWIHP Bulletin, Issue 16, *Inside China's Cold War*, Fall 2007, Winter 2008. CWIHP, Memorandum of Conversation between Anastas Mikoyan and Mao Zedong, 31/1/49.

commercial side, Shanghai had twice as many shops as Tianjin and six times as many as Beijing. In 1946 85 per cent of national imports and 62 per cent of exports had been moved through Shanghai's port.⁴³

On the national level, there were 1,104 foreign enterprises in China belonging to more than thirty different nationalities. They varied in type and size, but a large number (490) were companies engaged in trade, such as shipping, import and export. The second-largest category of company was medium to light industry (130) and the third was financial services, banking and insurance (79). There were over seventy foreign real estate companies. Foreign property holdings were significant: foreigners owned over 9,000,000 square metres of real estate and 132,000 *mu* of land (1 *mu* is equal to 666m²). The British were perhaps the most significant national group. Around 35 per cent of all foreign businesses in China were British-owned and British interests accounted for 68 per cent of the total capital invested.⁴⁴

Shanghai was the focus of foreign investment in China. Important sectors of the city's economy were completely dominated by foreign firms. These included shipping, banking, insurance, docks and warehouses, real estate and public utilities.⁴⁵ In June 1950, a year after the Communist takeover, 685 foreign businesses remained in Shanghai, belonging to proprietors of 34 different nationalities. Of these, 185 (27 per cent) were British. These British firms were closely tied in to the Chinese economy, not least because they employed nearly 30,000 Chinese workers. The second- and third-largest foreign presences after the British were the Americans (22 per cent of the total number of companies) and the French. These three players dominated the market. Capital invested by British, American and French companies accounted for 91.4 per cent of the total invested by all foreign companies. Companies from the same three countries held 99 per cent of all real estate owned by foreigners and employed 95.5 per cent of all Chinese workers employed by foreign firms.⁴⁶

Foreign firms were central to the running of Shanghai's economy. The CCP estimated that the American-owned (formerly British) Shanghai Power Company produced 89 per cent of

⁴³ 'Shanghai Gaikuang', pp. 3-6.

⁴⁴ Zhang Hanfu zhuan bian xie zu [Biography of Zhang Hanfu editorial and writing group], *Zhang Hanfu zhuan* [Biography of Zhang Hanfu] (Shijie Zhishi Chubanshe, 2003), p. 146.

⁴⁵ SMA B1-2-3658, *Shanghai Waiqiao Shiwu Chu gongzuo zongjie (chugao)* [Shanghai Foreign Citizens Affairs Department draft summary of work], May 1949 to March 1950.

⁴⁶ Zhou *et al.*, *Shanghai waishi zhi*, pp. 314-5.

Shanghai's electric power.⁴⁷ Foreign companies were responsible for supplying 83 per cent of Shanghai's gas supply and 71 per cent of its water. The city's public transportation system was dominated by the two large tram companies (one British and one French), and the telephone network was almost completely managed by the American-owned Shanghai Telephone Company. In light manufacturing, companies such as British American Tobacco had created extensive networks of raw material harvesting, industrial processing and distribution. British American Tobacco's easily recognisable 'Pirate' and 'Ruby Queen' cigarettes were well-known as far away as Tibet and Xinjiang in the far west.⁴⁸ Foreign firms were completely integrated into the Chinese economy and the products they sold had become commonplace in the daily lives of millions of Chinese people. As well as purchasing foreign commodities, Shanghai consumers travelled in British trams, gambled at the French-owned canidrome and consumed American electricity. Foreign signs and advertisements were everywhere.

Table 2: Foreign enterprises in Shanghai, June 1950

	Enterprises		Chinese workers		Capital (10,000 RMB)		Land occupied (mu) ⁴⁹	
	No.	Percentage	No.	Percentage	No.	Per cent	No.	Percentage
British	185	27	29,313	61	3,700	34.8	7,224	65
French	41	6	3,836	8	2,863	26.9	633	5.4
Other*	173	25.3	961	2	369	3.5	127	1.1
Swiss	35	5	801	1.7	533	5	45	0.4
USA	123	18	12,773	26.5	3,162	29.7	3,102	28
USSR	128	18.7	410	0.8	14	0.1	4	1.6
Total	685	100	48,094	100	10,641	100	11,135	100

Source: Adapted from Zhou et al., *Shanghai waishi zhi*, p. 315.

Global contexts

⁴⁷ 'Shanghai Gaikuang', pp. 15-16.
⁴⁸ 'Shanghai Gaikuang', pp. 15-16; Zhou et al., *Shanghai waishi zhi*, p. 314; SMA B182-1-461-187, *Shanghai ruhe cong xiaofei chengshi*.
⁴⁹ One mu is equal to 666m².
* 'Other' here includes following 27 countries and 'stateless:' Austrian, Belgian, Canadian, Czechoslovakian, Danish, Dutch, German, Greek, Hungarian, Indian, Iranian, Iraqi, Italian, Japanese, Korean, New Zealand, Norwegian, Romanian, Pakistani, Panamanian, Philippine, Polish, Portuguese, Spanish, Swedish, Turkish.

The disruption and chaos of World War Two had triggered a violent reordering of the relations between different states, and between states and their populations. Events in China took place within a climate of change, characterised by the decline of the Europe-centred global order through decolonisation and the growth of the new socialist world under the leadership of the Soviet Union.⁵⁰ Mao Zedong quite clearly conceived of the Chinese revolution as being part of a wider struggle against aggressive American imperialism in Europe, Asia and the Americas. In China, the involvement of the United States in the Civil War on the side of the Guomindang had made them the most obvious target of anti-imperialist rhetoric. This took the focus slightly off the British.⁵¹

In hindsight, the withdrawal of British influence from Shanghai can appear to be a logical consequence of her post-war decline and as part of the wider processes of decolonisation. Yet the extent of this decline was by no means apparent to British merchants and diplomats at the time. Many anticipated a post-war resurgence.⁵² They keenly desired to maintain a trading presence on the Chinese coast. Britain remained influential on the world stage and especially in south-east Asia: they were the chief ally of the dominant world superpower, a founder member of the United Nations Security Council and one of the world's biggest economies. Besides, it was widely believed that whoever ruled China would 'need' British trading companies to connect them with the wider world. The depth of anti-imperialist feeling was severely underestimated.

The CCP conceived of their imperialist enemy within a framework dictated by Lenin's writings on imperialism as monopoly capitalism. All vestiges of British influence in China were seen to be symptoms of the imperialists' desire to export capital and dominate markets. The imperialists sought to facilitate this subjection through the use of cultural weapons such as missionaries and educational institutions. Imperialism was dying capitalism: it was therefore violent and irrational.

⁵⁰ Darwin, *After Tamerlane*, p. 428, 440-2, 473-4.

⁵¹ Mao Zedong, 'Farewell, Leighton Stuart!' *Selected Works of Mao Tse-tung* (Peking: Foreign Languages Press, 1969), Vol. IV, pp. 433-40; Mao 'On the People's Democratic Dictatorship,' 30/6/49, in *Selected Works*, Vol. IV, pp. 411-24.

⁵² John Darwin, 'British Decolonization since 1945: A Pattern or a Puzzle?' in Holland, R. F. and Rizvi, G. (eds), *Perspectives on Imperialism and Decolonization: Essays in Honour of A. F. Madden* (London: Frank Cass, 1984), p. 190; Darwin, *After Tamerlane*, p. 441.

The post-war era saw an enormous expansion of the Soviet-led socialist world in Europe and Asia. Despite the fact that the new Communist countries came under the leadership of the Soviet Union there were significant differences in the experiences of 'imperialists' within them. In Yugoslavia, foreign enterprises were quickly nationalised. In Hungary, some foreign capitalists were arrested for long periods on espionage charges. The Chinese took a more pragmatic line: they needed the foreigners in the short term to help stabilise and develop their economy.

The experience of Turkey following Mustafa Kemal's rise to power in 1923 perhaps provides a more accurate comparative model for the CCP's revolutionary economic nationalism and expulsion of foreign interests than does Eastern Europe. As in China, the ejection of foreign interests from 'semi-colonial' Turkey was tied to the twin themes of national assertion and economic development. In the process of nationalisation, one contemporary commentator noted, the 'old laissez-faire ha[d] given way to a new spirit of independence, a new desire for self-respect and self-reliance.'⁵³ Kemal's anti-imperialist vision for an independent Turkey bore many similarities to the doctrine of Sun Yat-sen, the Chinese revolutionary who was acclaimed by the CCP as the 'father' of their revolution. For a year or more before his death in 1925, Sun had come to blame imperialism for the majority of China's ills. It was the encroachment of foreign powers, he suggested, that had weakened China and that had caused it to stagnate and decay. Anti-imperialism was part of national renewal.⁵⁴

In the early 1950s, China was not the British Government's top priority. The preservation of the strategic alliance with the USA was much more important. Within Britain's traditional spheres of interest there were larger concerns, such as the threat of nationalisation of British oil companies in Iran and the insurgencies in Kenya and Malaya. Robin Winks has suggested that the decolonisation of informal empire was intrinsically more complicated than that of formal empire, where more influence could be exerted both over the colonised and the agents of the coloniser. He refers to an old Mexican proverb which says that to divorce one's spouse is a simple matter of law, but to divorce a lover is a much messier business.⁵⁵ It is true that the British consuls in Shanghai often felt frustrated about their lack of power over their charges, and that British businessmen often acted in their own interests rather than on those

⁵³ Hans Kohn, 'Ten Years of the Turkish Republic,' *Foreign Affairs*, Vol. 12, No. 1 (Oct., 1933), pp. 150-1.

⁵⁴ Marie-Claire Bergère, *Sun Yat-sen* (Stanford, Calif.: Stanford University Press, 1998), pp. 361-2.

⁵⁵ Robin W. Winks, 'On Decolonization and Informal Empire,' *The American Historical Review*, Vol. 81, No. 3 (June 1976), pp. 540-56.

of the state, but experiences in Kenya and Malaya in the early 1950s suggest that, in actual fact, the decolonisation of formal empire was much more costly and difficult than that of places like Shanghai.

Writing the history of the early PRC

The founding of the PRC on the 1st October 1949 was a moment of huge significance in China's modern history. At the same time, however, the year 1949 has been greatly over-emphasised as a moment of historical rupture. As Prasenjit Duara has argued, scholars and politicians have tended to write linear, simple histories. Nationalist mythmaking has tied history to national narratives that have obscured the true 'heterophony' of the past and have resulted in narrow teleologies. The narrative of the CCP's revolution in China sees all events as leading to 1949, after which everything was different.⁵⁶ Historians traditionally stopped their research at this date, and the People's Republic became the realm of political scientists.⁵⁷ In recent years this boundary has been eroded as historians have begun to re-examine the early 1950s.

Scholars have sought to emphasise continuities across the 1949 divide in order to get a more nuanced impression of the nature of the revolutionary changes that took place.⁵⁸ Paul Cohen has argued that whatever the nature of the CCP's revolution, many of the most important changes the party made on coming to power were not socialist or Maoist in nature, but rather the realisation of a 'consensual Chinese agenda', which many Guomindang (or even late Qing) administrators would have supported. These measures included the restoration of full central government control over all of China's territories (except Taiwan, Hong Kong and Dalian⁵⁹) and the elimination of the Western presence. Alongside these changes came rapid population growth, improvements in public health and a wide extension of literacy and education. Many of the changes instituted by the CCP were not, therefore, entirely new or

⁵⁶ Prasenjit Duara, *Rescuing History from the Nation; Questioning Narratives of Modern China* (Chicago: University of Chicago Press, 1995), pp. 4-5, 16, 26-7.

⁵⁷ On the political science/history divide see Hans van de Ven, 'Recent Studies of Modern Chinese History,' *Modern Asian Studies*, Vol. 30, No. 2 (May 1996), p. 225; Cohen, Paul A., 'Reflections,' pp. 29-35.

⁵⁸ Cohen, 'Reflections,' pp. 27-37; William C. Kirby, 'Continuity and Change in Modern China: Economic Planning on the Mainland and on Taiwan, 1943-1958,' *The Australian Journal of Chinese Affairs*, No. 24 (Jul., 1990), pp. 121-141.

⁵⁹ On the situation in Dalian see Christian A. Hess, 'Big Brother is Watching: Local Sino-Soviet Relations and the Building of New Dalian, 1945-55,' in Brown and Pickowicz (eds.) *Dilemmas of Victory*, pp. 160-183.

revolutionary. There were important continuities as well as important changes after 1949.⁶⁰ Pre-1949 institutions and personnel had a lasting influence on Communist China and there were even similarities between policies enacted on the mainland and on Guomindang-controlled Taiwan.⁶¹

As well as crossing the divide, historians have also sought to readdress the early 1950s on their own terms, asking questions such as: how did the CCP address the challenges they faced? How did they build an effective state? Were they really as successful in changing China and consolidating power as was once thought? How were these changes experienced by ordinary people at the ground level? The long-standing narrative of the CCP takeover is that the Guomindang ran a weak state that collapsed and was replaced by a strong Communist government. The Communists were then able to build a strong state, unify the country and complete the anti-imperialist revolution by forcing the foreigners out. In fact, the CCP's power in the early years of their rule was much more incomplete, contested and conditional than once thought. Compromise was necessary in order to consolidate power. The CCP's efforts at regime consolidation and state-building were often patchy and provisional.

During the Cold War, Western 'China watchers' were forced to read political tea-leaves when attempting to explain policy decisions. As Eric Hobsbawm suggested in 1969, those studying communist history tended to fall into two camps: 'the sectarian and the witch-hunting.' Hobsbawm's 'sectarians' produced uncritical accounts of revolutionary successes. 'Witch-hunters' portrayed communist parties as 'sinister, compulsive, potentially omnipresent bodies, half religion and half plot.'⁶² Regardless of the political orientation of the author, the CCP and other communist parties have tended to be almost universally portrayed as powerful, efficient and ideologically coherent forces. As we shall see, the CCP may have been militarily successful, but this did not necessarily translate into administrative success.

Stephen Kotkin's pioneering study of Soviet life and economic planning *Magnetic Mountain* (1995) paved the way for new post-Cold War analyses of socialist societies as lived

⁶⁰ Cohen, 'Reflections,' pp. 29-35; Esherick, 'Ten Theses,' pp. 47-48.

⁶¹ Kirby, 'Continuity and Change,' pp. 133-140.

⁶² Eric Hobsbawm, *Revolutionaries* (London, Abacus, 2007, first published 1973), pp. 12-13, 267.

realities.⁶³ On a similar theme, the new directions embodied in the edited volume *Dilemmas of Victory* (2007) are emblematic of the approaches that historians have begun to use to address the history of the early PRC. The focus in *Dilemmas* is on 'the extraordinary diversity and complexity of how individuals, families and social groups experienced the 1949-53 years.'⁶⁴ Works such as this, and James Gao's *The Communist Takeover of Hangzhou* (2004), have contributed to the development of a more nuanced understanding of CCP power. Gao's work builds on earlier analyses of Communist takeovers by G. William Skinner, Kenneth Lieberthal and Ezra Vogel, but moves beyond their focus on politics to explore the cultural and social implications of the takeover.⁶⁵ Gao demonstrates clearly the constraints placed upon Communist cadres: the CCP had to implement gradual social transformation through measures 'acceptable if not appealing' to the local population. In Hangzhou, Gao finds, national concerns interplayed with local ones and long-term national policies were often subject to local and short-term modifications out of necessity.⁶⁶

The processes by which the CCP were able to take control over Shanghai and later transform it have not yet been the subject of exhaustive historical enquiry. While historians such as Elizabeth Perry and Gail Hershatler have made excellent contributions towards understanding 'New Shanghai' in terms of labour relations and social reform, an overarching framework is still lacking.⁶⁷ The most frequently referenced accounts of the CCP's takeover remain Noel Barber's irreverent *The Fall of Shanghai* (1979) and Paolo Alberto Rossi's *The Communist Conquest of Shanghai: a Warning to the West* (1970).⁶⁸ Chapter-length studies of aspects of the takeover by Marie Claire Bergère and Frederic Wakeman Jr. have gone some way

⁶³ Stephen Kotkin, *Magnetic Mountain; Stalinism as Civilisation* (Berkeley: University of California Press, 1995) see also Jochen Hellbeck, *Revolution on my Mind; Writing a Diary Under Stalin* (Cambridge Mass.: Harvard University Press, 2006).

⁶⁴ Brown and Pickowicz, *Dilemmas of Victory*, pp. 7, 10.

⁶⁵ G. William Skinner, 'Aftermath of Communist Liberation in the Chengtu Plain,' *Pacific Affairs*, Vol. 24, No. 1. (Mar, 1951), pp. 61-76; Kenneth Lieberthal, *Revolution and Tradition in Tientsin, 1949-1952* (Stanford, California: Stanford University Press, 1980); Ezra Vogel, *Canton Under Communism; Programs and politics in a Provincial Capital, 1949-1968* (New York: Harper & Row, 1971).

⁶⁶ James Zheng Gao, *The Communist Takeover of Hangzhou: the Transformation of City and Cadre, 1949-1954* (Honolulu, T.H.: University of Hawai'i Press, 2004), pp. 245-7.

⁶⁷ Elizabeth J. Perry, *Shanghai on Strike: the Politics of Chinese Labor* (Stanford, Calif.: Stanford University Press, 1993); Perry, *Patrolling the Revolution*, Gail Hershatler, 'Regulating Sex in Shanghai: the Reform of Prostitution in 1920 and 1951,' in Frederic Wakeman, Jr., and Yeh Wen-hsin, (eds), *Shanghai Sojourners* (Berkeley: Institute of East Asian Studies, University of California, Berkeley, Center for Chinese Studies, 1992), pp. 145-86.

⁶⁸ Noel Barber, *The Fall of Shanghai: The Communist Take-Over in 1949* (London: Macmillan, 1979); Paolo Alberto Rossi, *The Communist Conquest of Shanghai: a Warning to the West* (Arlington, Va.: Twin Circle Publishing Co., 1970).

towards redressing this gap in the literature, but much remains to be done.⁶⁹ Recent reassessments of the early 1950s have focused on state-building and administration. For example, Ruth Rogaski has demonstrated how the Korean War germ warfare scare provided the Chinese state with an opportunity to advance municipal hygiene in the name of modernity while at the same time extending the reach of the state.⁷⁰ Strauss has shown that the Campaign to Suppress Counterrevolutionaries (1950-1953) provided a similar opportunity.⁷¹

Chinese archives and the early 1950s

The wider reassessment of the limits of the CCP's power has been driven by the new availability of Chinese archival sources to foreign scholars. The CCP deliberately shrouded themselves in secrecy. Policy was made behind closed doors before being announced through official organs in the name of Mao Zedong, Zhou Enlai, Liu Shaoqi and other top leaders. This degree of centralisation has previously made it extremely difficult for scholars to explore the formulation and execution of CCP policy.

Although Chinese archives are increasingly accessible to foreign researchers, the use of them is not unproblematic. The files of the Shanghai FAD, for example, are housed at the Shanghai Municipal Archives, but they are inaccessible. The researcher must take a pragmatic approach and endeavour to locate sources in the files of other departments with which the FAD corresponded. A wealth of such material exists because all other departments had to refer any matter involving foreigners to the FAD. Files created by the Public Utility Bureau, for example, provide detailed insights into processes of CCP takeovers of foreign public utility companies. As Gao has observed, the sources themselves tell stories. Grammatical errors and incorrectly written characters belie the poor education level of many CCP cadres. In contrast, the high-level Chinese employees of foreign companies wrote very formal letters to the various bureaux in beautiful calligraphy. We can also tell a great deal about the conditions of scarcity the CCP were working under by the poor quality of the paper they were

⁶⁹ Bergère, *Shanghai*; Frederic Wakeman, Jr., "'Cleanup': The New Order in Shanghai" in Brown and Pickowicz, (eds.), *Dilemmas of Victory*. pp. 21-58.

⁷⁰ Rogaski, Ruth, *Hygienic Modernity: Meanings of Health and Disease in Treaty-Port China* (Berkeley, Calif.: London: University of California Press, 2004); Julia Strauss, 'Paternalist Terror: The Campaign to Suppress Counterrevolutionaries and Regime Consolidation in the People's Republic of China, 1950-1953,' *Comparative Studies in Society and History*, Vol. 44, No. 1 (January 2002), pp. 80-105.

⁷¹ Strauss, 'Morality, Coercion and State Building.'

using.⁷² The FAD's work report for October and November, for example, was written on the back of paper headed 'German Consulate General, Shanghai.'⁷³

CCP reports were often so full of politics and allegory that they perhaps tell us more about the aims and worldview of the writers than they do about the objective reality. Reports tended to reflect wider political and social truths as the cadres saw them and tended to stress successes over failures. They were, after all, written with an audience of superiors in mind. The usefulness of these reports is improved, however, by the CCP's proclivity towards criticism and self-criticism which helps to expose many of the new authorities' shortcomings. It is only through familiarity with the format of such reports and through repeated readings that the historian can cautiously begin to access a more nuanced version of events.

High-level materials on important subjects such as foreign affairs policy remain mostly, but not always, off limits. The archive of the Ministry of Foreign Affairs in Beijing has now made available many thousands of files on the early PRC. Where once historians were forced to rely on the printed speeches of Chairman Mao and Premier (and Foreign Minister) Zhou Enlai, we can now access transcripts of high-level meetings where policies were discussed and shaped before being passed to the top leaders for approval. This helps us move away from writing Mao- and Zhou-centred histories. The majority of these files deal with the minutiae of foreign affairs work, but certain files can surprise. These include, for example, the minutes of the May 1952 meeting at the Ministry to decide future policy towards the British, discussed at length in Chapter Four. Another way in which historians may now gain insights into the CCP's high-level policy formulation is through their conversations with Moscow, which have become available with the opening of Soviet archives.⁷⁴

As well as having increased access to Chinese archives, historians of the early People's Republic can now benefit from a proliferation of Chinese language secondary sources and published collections of primary sources.⁷⁵ While historical writing in the PRC tends to continue to reflect the Communist Party's views on its own historical development, recent

⁷² Gao, *Communist Takeover of Hangzhou*, p. 8.

⁷³ Archives of the Ministry of Foreign Affairs of the People's Republic of China, Beijing [MFA] 118-00046-26, *Shanghai Shi Waiqiao Shiwu Chu Shi-Shiyi Yue gongzuo baogao* [Work report of the Shanghai Foreign Citizens Affairs Department for October-November], 1st – 30th November 1949.

⁷⁴ See note on CWIHP above.

⁷⁵ Shanghai Municipal Library, 1555 Huaihai Zhonglu, Xuhuiqu, Shanghai.

publications such as the Shanghai Municipal Archives' *Shanghai Jiefang* (The Liberation of Shanghai) (1999) and the Shanghai Academy of Social Sciences' series of gazetteers on various aspects of Shanghai administrative history are valuable resources. Of particular note is the *Shanghai waishi zhi* (Record of Shanghai Foreign Affairs) (1999).⁷⁶ Autobiographies and biographies of important CCP leaders such as Bo Yibo (薄一波) and Zhang Hanfu (章汉夫) provide us with much-needed insights into the CCP's policy-making and implementation.⁷⁷ Much of the Chinese secondary literature is still imbued with nationalist narratives of 'taking back' what was rightfully Chinese from the hands of foreign imperialists. For example, Zhang Kan's short 2004 article on the elimination of foreign businesses is the Chinese language scholarly work that has engaged most closely with this topic. Zhang's research is empirically strong, but it remains framed within the same language encountered within the sources from the 1950s themselves: foreign firms were the tools of imperialism and their removal was a necessity.⁷⁸

On the British side, there is much to be gained from exploring newly accessible archives and revisiting The National Archives. Permission has been kindly granted to examine the previously inaccessible 'closure files' of Butterfield & Swire, a wholly-owned subsidiary of John Swire and Sons (Ltd.), which was among the most important firms operating in mainland China from its founding in 1866 until 1954.⁷⁹ The HSBC Group Archives contain a wealth of materials relating to the Bank's own situation, the wider economic and political situation, and the positions of various private businesses, groups and individuals.⁸⁰

The end of the British presence

⁷⁶ *Shanghai Jiefang*; Zhou et al., *Shanghai waishi zhi*.

⁷⁷ Bo Yibo, *Ruogan zhongda juece yu shijian de huigu* [A Review of Certain Major Policies and Events] (Beijing: Zhonggong Zhongyang Dangxiao Chubanshe [CCP Central Party School Press], 1991); Zhang Hanfu zhuan bian xie zu, *Zhang Hanfu zhuan*.

⁷⁸ Zhang Kan, *Jianguo chuqi zai Hua waizi qiye gaizao chutan (1949-1962); yi Shanghai wei li* [First exploration of the transformation of foreign enterprises in China in the early period after the founding of the country (1949-1962); with Shanghai as an example], *Zhongguo jingji shi yanjiu*, 2004 nian, di 1 qi [Researches in Chinese Economic History], 2004, No. 1.

⁷⁹ Butterfield & Swire Archival Materials, John Swire & Sons Ltd. Swire House 59 Buckingham Gate, London, SW1E 6AJ, John Swire and Sons Company Archive [JSSCA] CHINACL1 to CHINACL6 inclusive.

⁸⁰ Hong Kong Shanghai Banking Corporation Group Archives, Iron Mountain building, Leven road, Poplar, London, E14 0LL [HSBC]; Frank H. H. King, *The History of the Hongkong and Shanghai Banking Corporation. Vol. 4, The Hongkong Bank in the period of Development and Nationalism, 1941-1984: from regional bank to multinational group* (Cambridge: Cambridge University Press, 1991), see also Patrick Brodie's institutional history of Imperial Chemical Industries (China); Patrick Brodie, *Crescent over Cathay; China and ICI, 1898 to 1956* (Oxford: Oxford University Press, 1990), pp. 216-268, esp. pp. 242-4.

There are few works that deal directly with the end of the British presence in China in English. The earlier literature tends to be centred on international relations and diplomatic history. Accounts such as Robert Boardman's *Britain and the People's Republic of China, 1949-74* (1976), and Evan Luard's *Britain and China* (1962) dealt largely with British policy-making, focusing on issues such as the recognition of the PRC.⁸¹ More recent international relations-based studies of this period have tended to move away from narrative-driven diplomatic histories to focus more on regional power balances, including the reconfiguration of Sino-British-American power relations.⁸²

One of the first studies dedicated specifically to exploring the fate of British commercial interests was Thomas N. Thompson's occasional paper *China's Nationalization of Foreign Firms: the Politics of Hostage Capitalism, 1949-57* (1979). Thompson coined the term 'hostage capitalism' to explain the CCP's practice of keeping foreign firms in China while squeezing them in order to gain control of their assets.⁸³ While 'hostage capitalism' provides a useful label for what happened, it does not explain how or why the CCP carried out its policies. Thompson's line of argument strongly influenced Aron Shai's (1996) work on the fate of French companies. Shai places a similar emphasis on foreign reactions over Chinese actions.⁸⁴

⁸¹ Robert Boardman, *Britain and the People's Republic of China, 1949-74* (London: Macmillan, 1976); Evan Luard, *Britain and China* (London: Chatto & Windus, 1962) see also; Jagdish P. Jain, *China in World Politics: A Study of Sino-British Relations, 1949-1975* (London: M. Robertson, 1977); Brian Porter, *Britain and the Rise of Communist China: a Study of British Attitudes, 1945-1954* (London: Oxford University Press, 1967).

⁸² More recent international relations studies include; Scott Kaufman, *Confronting Communism: U.S. and British Policies Toward China* (Columbia: University of Missouri Press, 2001); Edwin W. Martin, *Divided Counsel: the Anglo-American Response to Communist Victory in China* (Lexington, Ky.: University Press of Kentucky, 1986); Xiang, Lanxin, *Recasting the Imperial Far East: Britain and America in China, 1945-1950* (London: M.E. Sharpe, 1995); Zhai, Qiang, *The Dragon, the Lion & the Eagle: Chinese-British-American Relations, 1949-1958* (Kent, Ohio: Kent State University Press, 1994).

⁸³ Thomas N. Thompson, *China's Nationalization of Foreign Firms: the Politics of Hostage Capitalism, 1949-57* (Baltimore: School of Law, University of Maryland, 1979), pp. 3-48; Kenneth Lieberthal, 'Review: China's Nationalization of Foreign Firms; The Politics of Hostage Capitalism, 1949-57 by Thomas N. Thompson,' *The China Quarterly*, No. 85 (Mar. 1981).

⁸⁴ Aron Shai, 'Imperialism Imprisoned: the Closure of British Firms in the People's Republic of China,' *The English Historical Review*, (1989), CIV(CCCX), pp. 88-109; Aron Shai, 'Hostage capitalism and French Companies in China; A Hidden Element in Sino-French Relations,' *Études chinoises*, vol. XII, no. 1, printemps 1993; Aron Shai, *The Fate of British and French Firms In China 1949-54 - Imperialism Imprisoned* (Oxford: Macmillan, London with St. Antony's College, 1996).

The best general survey of this period is Beverly Hooper's *China Stands Up* (1986). Hooper's work provides studies of the experiences of various groups of Britons, including businessmen, missionaries and diplomats. For Hooper, two main goals drove the CCP's policy making: these were the assertion of Chinese nationalism in the face of imperialism and the transformation of Chinese society along Marxist-Leninist lines. This transformation would, of necessity, preclude the survival of Western business interests in China.⁸⁵

The prospect of the return of Hong Kong to the PRC in 1997 saw increased interest in Shanghai after 1949 as scholars sought a comparison. Several books were published on the subject. These works focused largely on diplomatic history and international relations, approached from a British perspective. They maintained a particular emphasis on the implications of diplomatic policies on Sino-British trade and on the position of large British companies in China. David Clayton argued in *Imperialism Revisited* (1997) that the British desire to maintain control over Hong Kong was a central factor in their policy-making regarding China. After America decided on its policy of supporting Taiwan, Sino-British relations were sacrificed in order to preserve good Anglo-American relations. Drawing on the model of empire posited by P.J. Cain and A.G. Hopkins, Clayton argued that there was a 'wider symbiosis of interest' between businessmen and policy-makers beyond this immediate conflict of interest. The retention of Hong Kong allowed many of these businesses to continue their trade with China in the long term.⁸⁶

In *China, Britain and Businessmen: Political and Commercial Relations, 1949-57* (1991) Wenguang Shao offered an interpretation of the CCP's policies towards foreign business that challenged Thompson's 'hostage capitalism' hypothesis. Shao argued that the CCP did not set out to nationalise or expropriate foreign firms following the founding of the PRC. Instead, they went to great lengths to prevent foreign capital, equipment and personnel from leaving. Their priority was to revitalise the economy. An impossible situation was created for British businesses by: the slowness with which policy towards them was decided; central government control over trade and foreign exchange; deflationary measures; and a great deal of labour unrest. All this encouraged them to quit China. Korean War-era international trade

⁸⁵ Beverly Hooper, *China Stands Up: Ending the Western Presence, 1948-1950* (London: Allen & Unwin, 1986), pp. 2-4.

⁸⁶ David Clayton, *Imperialism Revisited: Political and Economic Relations Between Britain and China, 1950-54* (Basingstoke: Macmillan in association with King's College, London: New York: St. Martin's Press, 1997), pp. 123- 138, 199-208.

restrictions sealed the decision. A desire to protect the economy and prevent sudden mass closures meant that the Chinese authorities prolonged this process for as long as possible. The CCP was acting in a cautious and pragmatic way, rather than in a rash and politically-motivated one.⁸⁷ James Tuck-Hong Tang argued similarly in his *Britain's Encounter with Revolutionary China, 1949-54* (1992) that although the CCP sought to establish a revolutionary state, they were more concerned with being recognised as the legitimate rulers of that state than with overturning the current structure of international relations.⁸⁸

Between them Shao, Tang and Clayton have provided an excellent summation of the international diplomatic and economic factors that shaped Sino-British relations in this period. It could be argued, however, that international relations studies such as these posit an overly narrow definition of Sino-British relations. There were always two spheres of Sino-British interaction: one took place at the level of nations, treaties, trade and diplomacy, and the other took place at a physical level within China.⁸⁹

The withdrawal of the British has been portrayed as occurring almost in isolation from this domestic Chinese context. Deprived of Chinese archival materials, successive Western scholars have perhaps presented what could best be termed 'top down' narratives of events based on archival materials created by British diplomats and businessmen. These accounts have been augmented in some of this literature by the use of high-level announcements, official publications and newspapers from China. These official sources present a very clean-cut narrative. Contemporary English language accounts recycled established notions about the inscrutability and cruelty of the Chinese and applied them to the Communists. They appear as rather one-dimensional characters, radical ideologues who managed simultaneously, to be both devious and calculating Orientals, and childlike, ignorant xenophobes.⁹⁰ The CCP are written about as if they were an omnipotent force, and as if they had a secret master-plan for eradicating the foreign business presence, which they did not. The reality demonstrated in the archival sources is much more complicated. The Communists also appear much more

⁸⁷ Shao Wenguang, *China, Britain and Businessmen: Political and Commercial Relations, 1949-57* (Basingstoke: Macmillan in association with St. Antony's College, Oxford, 1991), pp. 178-180.

⁸⁸ James Tuck-Hong Tang, *Britain's encounter with revolutionary China, 1949-54* (Basingstoke: Macmillan Press, 1992), pp. 1-4, 67-8, 95-6, 192, 198-201.

⁸⁹ Bickers, *Britain in China*, p. 68; Robert A. Bickers, 'Review: Imperialism Revisited: Political and Economic Relations between Britain and China, 1950-54 by David Clayton,' *The Journal of Asian Studies*, No. 57, No. 4 (November 1998), pp. 1115-1116.

⁹⁰ Arthur H. Smith, *Chinese Characteristics* (Edinburgh; London: Oliphant, Anderson & Ferrier, 1906).

purposeful, organised, and efficient than they actually were. Chinese actions are often ascribed simply to anti-imperialist fervour or xenophobic spite. Although the ultimate aim was indeed to squeeze the foreigners out, policy on the ground was formed through a mixture of experimentation, ideology and pragmatism.

Both Western and Chinese accounts of this period have presented a narrative that is too simplistic; a sense of the real complexity of the times is lost. The new and unprecedented degree of access to Chinese archives means that we can now approach the elimination of British interests in Shanghai 'from the ground up.' It is now possible to build a multilayered account using both British and Chinese sources, starting at the factory or street level and using this as the foundation for building a local, national and international history. We can approach the issue from the Chinese side, within a framework that takes into account the domestic Chinese context. From the archival record, we can see that the CCP were much less well-organised than has previously been assumed. Their resources were limited: they lacked manpower, skills and resources and were daunted by the task that faced them. Rather than simply being radical ideologues, we can see that the CCP adopted a patient and pragmatic approach to dealing with the remaining foreign presence in Shanghai. This is not only a useful insight in the field of Sino-British relations, but it also informs our overall conception of the CCP in the early years of the PRC. They remade Shanghai and they remade China, but they were cautious in approach because they were aware of their own limitations.

Chapter structure

The first chapter of this thesis focuses on the build up to the CCP's takeover of Shanghai, examining the interplay between the CCP's foreign and domestic policies. At first the CCP avoided contact with foreigners, and refused to recognise the status of foreign diplomatic personnel, employing what Mao termed 'the diplomacy of free hands.' Having 'free hands' meant that the Communists could dictate the nature of all interactions with foreigners. Foreign policy was tied closely to domestic policy. As they sought to overcome economic instability and install themselves firmly in China's major cities, they aimed to preserve the status quo. Chinese capitalists were co-opted. Despite the fact that Mao professed a wish to 'sweep the house clean' of foreigners, for the time being CCP leaders talked of using

‘guerrilla warfare’ to eliminate their foreign and Chinese urban enemies, to annihilate them step by step, instead of fighting a costly ‘war of annihilation.’⁹¹

Foreign businesses were not immediately confiscated. In fact, they were promised protection and support as long as they obeyed the law. Here the case of the Kailuan Mining Administration near Tianjin is used to demonstrate the pressures that British businesses were placed under before the takeover of Shanghai. The leadership’s planned moderation did not always translate into policy at the ground level. Local cadres often acted much more radically than was planned. The CCP used the experience of taking over Tianjin and of dealing with Kailuan as a model for Shanghai. They learnt that pragmatism and realism were needed in order to maintain economic stability. Revolutionary transformation and nationalist assertion would have to wait. The chapter then moves on to examine the seizure of Shanghai and the establishment of the Shanghai Foreign Affairs Department, the government office which would deal with all matters that related to foreigners. Through exploring the path of the Shanghai FAD we can gain insights into who the CCP officials were and into the difficulties they faced.

Chapter Two addresses the cultural transformation of Shanghai. In the period after the CCP takeover, the Guomindang bombed and blockaded the city seeking to strangle its import-export based economy. It is argued that dealing with foreigners, while a sensitive and difficult issue, was actually a secondary concern for the CCP compared with the challenges of building a new municipal administration, ensuring public order and combating inflation and unemployment. In March 1949, Mao had warned his Party about the dangers of victory saying that after the war was won enemies without guns would try to use ‘sugar-coated bullets’ to subvert the revolution.⁹² In order to consolidate the revolution, the cultural influence of the imperialists had to be eradicated. The takeover marked the birth of ‘New Shanghai.’ ‘Old Shanghai’ was vilified, as was everything belonging to it; the people and the places as well as the city’s social, political and economic milieu. ‘Old Shanghai’ was an imperialist, capitalist and immoral city. ‘New Shanghai’ was to be a workers’ paradise;

⁹¹ Chen Yi, Zhou Lin *guanyu ru cheng hou ge fangmian zhengce wenti de fayan jilu gao* [Minutes of speeches by Chen Yi and Zhou Lin regarding certain policy issues], 10-11/5/49, Shanghai Shi Danganguan (*Bian*) [Shanghai Municipal Archives (ed.)], *Shanghai Jiefang*, pp. 259-268.

⁹² Mao Zedong, ‘Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China,’ 5/3/49 in *Selected Works*, Vol. IV., pp. 361-75.

independent, productive, moral, orderly and socialist.⁹³ The policies of the CCP towards foreigners are explored in this chapter with a focus on their policies before and after the establishment of the People's Republic in October 1949. The question of how to treat foreigners was a sensitive one. When given the opportunity, the CCP made great propaganda out of publically chastising foreign 'imperialists' and 'reactionaries' who had not yet realised that they could no longer act with immunity because Shanghai now belonged to the Chinese. Foreign newspapers, hospitals, religious organisations and educational institutions were tolerated until the CCP were in a position to take them over or close them down. With the outbreak of the Korean War in 1950, the elimination of these organisations accelerated. More subtle cultural influences were also targeted.

Eliminating foreign business concerns was a much more difficult prospect. The situation faced by British businesses after 1949 is the subject of Chapter Three. Although many smaller businesses were permitted to close soon after the takeover, the majority of the larger firms either decided to stay on, or were unable to leave. There was a reasonably long period in which British businesses remained in Communist Shanghai. What was Shanghai like at this time and how were British businesses treated? The chapter begins with an overview of the remaining British population and a discussion of how their lives changed under Communism. It then moves on to explore Chinese policy towards British businesses. The CCP's policy was to 'restrict' and 'control' foreign companies, following the same general line applied to Chinese companies. They adopted a policy of 'squeezing' foreign businesses in order to pressure them into submission and to break their hold on certain sectors of the economy. The CCP-controlled unions mobilised labour against the foreign management and their high-ranking Chinese staff. Foreign firms were not permitted to close, or to discharge their surplus workforces for fear of mass unemployment. Various means were employed to deny them profits, burden them with punitive tax demands, and to force them into running up large debts. They did not intend at first to pressure them into closing, but rather desired to keep them running so as to prevent unemployment and to acquire much-needed revenue through taxation.

⁹³ Chiara Betta, 'The (Re)Shaping of the Jiu (Old)- Xin (New) Shanghai Dichotomy: Foreign Devils, Urban Myths and Popular Writings,' (Unpublished: Paper to be presented at the annual meeting of the American Association of Chinese Studies, San Francisco, 28-30 October 2000); Chiara Betta, "Myth and Memory: Chinese Portrayal of Hardoon, Luo Jialing and the Aili Garden between 1924 and 1995." in Roman Malek and Sankt Augustin (eds.), *Jews in China: From Kaifeng to Shanghai* (Nettetal, Germany, Steyler Verlag, Monumenta Serica, 2000). pp. 375-400.

The chapter then goes on to focus on the CCP's efforts to establish control over workers within foreign factories. There were two main ways of doing this: through union work (such as mediating in labour disputes) and through mass campaigns. They had to balance a need to gain the support of the workers and claim revolutionary legitimacy, while also trying to prevent overt leftism and keep factories running. It is argued that political campaigns were carried out in a more restrained fashion in foreign businesses than in Chinese ones. Campaigns such as the Campaign to Resist America and Aid Korea and the Five Antis anti-corruption campaign were used as 'tools' with which to pressure foreigners. Foreign managers were subject to assaults, threats and other forms of worker action, but in general they suffered much less than their Chinese counterparts and Chinese assistants. These 'running dogs of imperialism' were trapped between two worlds, the Chinese and the foreign.

Chapter Four moves on to discuss the events of 1952 when the CCP expropriated a number of foreign businesses and began allowing others to close. After three years of uncertainty and hostility, a high-level meeting was called by the CCP leadership in Beijing in the spring of 1952 to make a final decision on how to handle the remaining British companies in Shanghai. Some leaders argued that the foreigners should be chased out as soon as possible, but they lost out to those with a more long-term vision. The CCP were indeed intent on taking these foreign companies' assets, but they went about this in a calculated and pragmatic way, combining their radicalism with a cool-headed appraisal of the damage that would be done to the Chinese economy if they took over British businesses too quickly. Companies they wished to keep in China were encouraged and their eventual takeovers were postponed. The policy of squeeze was adapted to deal with those which worked to the government's disadvantage, or which were not needed. They were pressured into handing over their assets. In all cases consideration of wider problems in the city and throughout China came first; economic stability was paramount. This chapter then goes on to examine the circumstances surrounding the takeovers of two British companies: the British Tram Company and the Orient Paint, Colour and Varnish Company, to explore how the CCP approached the takeover of such companies. The absolute priority of the takeover teams was to maintain production and to ensure stable handovers.

The processes by which the majority of the larger British firms were actually able to close are detailed in Chapter Five. Very few were actually expropriated: instead they were 'squeezed' until they could no longer function. The majority realised that they had no future. Foreign

businesses were denied permission to be legally sold or closed. They were then left with only one option: to offer a Chinese Government organisation all of their assets against all their liabilities. In this way, the CCP were able to take over a large amount of foreign-owned property and capital, while ensuring the stability of Shanghai's economy. They had adopted a very clever strategy for dealing with this takeover process from a position of relative weakness. Through their policies of 'squeeze' and of forcing transfers of assets, the CCP were able to control the pace of the British withdrawal so as to minimise its effect on the country's economy. These transfers of assets were voluntary in nature and so the prospects for future compensation claims were minimal. This was the end of a period of Sino-British interaction that had lasted for over a hundred years. Several of the larger trading firms were able to switch from a pattern of trade in China to trade with China via Hong Kong, but others with large fixed assets lost everything. Examples of various types of firms, from large trading establishments to smaller companies are used to illustrate the fact that there was great diversity in the experiences of foreign firms as they moved towards takeovers. This all took place within a shifting international environment following the Geneva Conference of 1954, and against the backdrop of the transition to socialism in China.

Policy towards British businesses evolved over time and was shaped by the CCP's limited resources. Their long-term goals were revolutionary and transformative, but they went about achieving them in a pragmatic manner and with a focus on short-term economic stability. In May 1949, this was all to come however. Communist cadres would march into the city through its tree-lined, European-style boulevards, past English language adverts on foreign-looking buildings, to take up their posts as the new socialist masters of this foreign-influenced, compromised and suspect city. One question loomed large: what would become of Shanghai under the Communists? It was a question that bore great significance, for if Shanghai was to be treated well, then surely so would its inhabitants be: the capitalists, both Chinese and foreign, as well as the masses of urbanites of various social statuses. If, however, Shanghai was to be reviled and punished for its former excesses, then the city and its inhabitants would have to be remade anew, and there would be little hope for British businesses.

Figure 3: The Chinese People's Army passes by the Park Hotel, West Nanking Road, May 1949



Chapter 1: The 'Liberation' of Shanghai

The development of CCP foreign policy

As nationwide victory approached, the CCP became increasingly aware of the scale of the task they faced. Simply to build the apparatus of a new state and stabilise China's economy would require great efforts. Before any transition to socialism could take place there would be a period of 'New Democracy' in which a more moderate policy would be followed in order to unite the populace behind a broad set of nationalistic state-building goals.¹ Foreign policy followed a similar course: long-term aims based on ideological goals, such as the eradication of foreign influence in China, had to be approached in a more pragmatic manner. Short-term stability was prioritised.

This chapter examines the concurrent development of the CCP's foreign policy and urban policy over the period leading up to the takeover of Shanghai. Firstly the CCP's policy of having 'free hands' in diplomacy is examined in the context of their relationships with Britain, the USA and the Soviet Union in the lead-up to the takeover of the city. The chapter then goes on to discuss their policies towards foreign nationals and foreign businesses encountered in newly occupied areas. When they seized control of the area around Tianjin the CCP had to decide on a policy towards the enormous, British-owned Kailuan Mining Administration. The policies developed in regard to Kailuan directly informed those later employed in Shanghai. The final part of the chapter examines the seizure of Shanghai with a focus on British reasons for staying put and on the processes involved in the takeover from the point of view of the Shanghai Foreign Affairs Department.

At the end of the Pacific War in 1945 it had seemed as though a revived Guomindang, backed by the USA, would reassert its control over the Chinese mainland.² As relations between America and the Soviet Union deteriorated after 1946 so did prospects for peace in China.³ While advocating peace talks between the Guomindang and CCP the Americans continued to provide huge amounts of munitions and economic aid to the Guomindang, undermining their

¹ Mao, 'On New Democracy,' pp. 338-84.

² Lloyd E. Eastman, 'Who Lost China? Chiang Kai-shek Testifies,' *The China Quarterly*, No. 88 (Dec., 1981), p. 658.

³ Xiang Lanxin, *Recasting the Imperial Far East: Britain and America in China, 1945-1950* (London: M.E. Sharpe, 1995), pp. 73-4.

credibility with the CCP. By November 1948 the US had granted aid worth US\$114,504,811 through the Economic Cooperation Administration and US\$110,835,605 of military aid.⁴ The American role in China was characterised by the Department of State in October 1948 as follows:

For a century American interest in China has been motivated mostly by trade and idealism. Our idealism has manifested itself in evangelism, advocacy of the American way of life and sympathy for China as a perennial international under-dog.⁵

From the CCP's point of view however, American influence was not so benign. In August 1949 Mao described America's relationship with China as one of self-interest. The Chinese Civil War, Mao argued, was a 'war to turn China into a US colony, a war in which the United States of America supplies the money and guns and Chiang Kai-shek the men to fight for the United States and slaughter the Chinese people'.⁶

In September 1946 Mao declared that US mediation was nothing but 'a smoke-screen'.⁷ Mao's secretary Hu Qiaomu recalled that it was in 1946 that the CCP came to view US imperialism as the main threat to China's independence.⁸ Mao now envisioned the world as being divided into 'two camps' (*liang ge zhenying*, 两个阵营). China was one of many countries occupying the 'middle zone' (*zhongjian didai*, 中间地带). He argued that the 'middle' countries should not have to compromise their own independence to prevent conflicts between the two super powers.⁹

⁴ Xiang, *Recasting*, p. 74; *The Peiping Chronicle*, 'ECA Aid to China Tops \$114 Million,' 9/11/48, '5000 Tons Arms Leave For China,' 15/11/48.

⁵ National Archives and Records Administration [NARA] RG 84, Box 37, United States Policy Toward China; A Report to the National Security Council by the Department of State, 13/10/48.

⁶ Mao, 'Farewell, Leighton Stuart!' pp. 433-40.

⁷ Mao, 'The Truth About U.S. "Mediation" and the Future of the Civil War in China; Talk with the American Correspondent A. T. Steele,' September 29, 1946, *Selected Works*, Vol. IV, pp. 109-111.

⁸ Hu Qiaomu, *Hu Qiaomu Huiyi Mao Zedong* [Hu Qiaomu Recalls Mao Zedong] (Beijing, Renmin Chubanshe [People's Press], 1994), pp. 92-3; Zhang, '*Xin Zhongguo waijiao*,' pp. 26; Mao, 'Talk With the American Correspondent Anna Louise Strong,' August, 1946 in *Selected Works*, Vol. IV, pp. 97-101.

⁹ Mao, 'Some Points in Appraisal of the Present International Situation,' April, 1946 in *Selected Works*, Vol. IV, pp. 87-88; Zhang Baijia, '*Xin Zhongguo waijiao fangzhen de xingcheng he shishi*' [The Development and Implementation of New China's Foreign Policy] in Guo Dehong, Hong Heguang, Han Gang (Zhu bian), *Zhonghua Renmin Gongheguo zhuanqi shigao (Juan Yi), kaiguo chuanye 1949-1956* [Manuscripts on Specific Topics in the History of the People's Republic of China, Book 1, Establishment and Beginnings 1949-1956] (Chengdu: Sichuan Renmin Chubanshe [Sichuan People's Press], 2004), pp. 24-25.

The 'diplomacy of free hands'

The CCP were largely left to themselves when deciding their future foreign policy. In the years leading up to the CCP's victory in 1949 the two global superpowers, the USA and the USSR, were reluctant to involve themselves directly in China. This gave the CCP more freedom to act than they might otherwise have enjoyed.¹⁰

The Guomindang won several early victories in the civil war but the tide began to turn in late 1947. By mid 1948 the Guomindang seemed to be in a state of utter collapse as the corruption, inefficiency and factionalism that had always been present in the movement finally span out of control. Shanghai was the centre of the storm; inflationary spirals with their roots in the Pacific War triggered hunger, mass protests and growing disillusionment.¹¹ Inflation, and their inability to control it, caused the Guomindang first their legitimacy and later the war.¹²

In the spring and summer of 1948 several Western governments began sounding out the CCP.¹³ Such overtures were welcomed in principle but the CCP gave no concrete replies. Foreign diplomatic personnel in the 'liberated areas' were only recognised in their capacity as individuals, not as the representatives of their governments. This 'non-recognition' (*bu chengren*, 不承认) policy was designed to keep the CCP an unknowable quantity and to allow them freedom of manoeuvre; Mao described this as 'the diplomacy of free hands.' They were not constrained, as a recognised government would have been. The Chinese told the Soviets that relations with capitalist countries had to 'be such that at any time we could change our point of view in the interests of the revolution.'¹⁴ Being unknowable meant that they could not be manipulated. Future Foreign Minister Zhou Enlai often talked about the importance of being in the position of *zhudong* (主动), meaning in the position of advantage, deciding policy, in contrast to being *beidong* (被动), literally, 'being moved,' and having to react to the policies of others. The CCP's policy of having 'free hands' meant that they could remain secretive, keep their intentions hidden and act effectively despite being in a position

¹⁰ Zhang, *Xin Zhongguo waijiao*, pp. 24-27.

¹¹ For a vivid personal account of inflation and the last days of the old Shanghai see Norman B. Hannah, Shanghai; 'The Last of the Good Old Days,' *Asian Affairs*, Vol. 2, No. 3 (Jan. - Feb., 1975), pp. 179-191; Hannah tells of one American banker turning up at a costume ball wearing a suit 'fashionably tailored from Chinese 100,000 yuan notes.'

¹² Chang, *The Inflationary Spiral*, pp. 36, 78-85, 115; Arthur N. Young, *China's Wartime Finance and Inflation, 1937-1945* (Cambridge Mass.; Harvard University Press, 1965); pp. 327-8.

¹³ Zhang, *Xin Zhongguo waijiao*, pp. 26-27.

¹⁴ CWIHP, Cable, Kovalev to Filippov [Stalin], 13/4/49.

of relative weakness. Their policy was to be based on an underlying hostility towards foreign influence in China but the 'diplomacy of free hands' gave the impression that the CCP may be undecided as to their future.¹⁵

Throughout the civil war period the CCP's policy towards Britain and America had been to 'to move one's mouth but not one's hands' (*dong kou bu dong shou*, 动口不动手). Their rhetoric was violent but their actions were generally cautious. After the capture of Shenyang in November 1948, contact with larger numbers of foreigners could not be avoided and it became necessary to translate their broad foreign policy into an administrative reality on the ground. The new Communist Mayor of Shenyang in the northeast had been severely criticised by the Central Committee because he had communicated with the US, British and French consuls when the city was taken over, conferring a form of *de facto* recognition. On the 10th November Zhou Enlai telegraphed the Party's North Eastern Bureau, instructing them strictly to follow the 'non-recognition' strategy.¹⁶ A few days later Mao ordered Gao Gang (高岗), who was the CCP's highest official in the northeast, to do everything he could to make Western consular personnel leave Shenyang. Rather than simply expelling the foreigners, an inhospitable environment would be created to encourage them to decide to leave themselves.¹⁷

The next day, all radio transmitters were seized from foreign consulates.¹⁸ The American Consul General Angus Ward refused to hand over the Consulate's radio equipment and as a consequence the entire US consular staff was placed under house arrest. Charges of espionage were levelled against several of them.¹⁹ On 23rd November Zhou Enlai urged restraint. He told local cadres that although the Party was indeed hostile towards Western imperialism, the current policy was only designed to give the CCP the upper hand. Cadres should show restraint because in the future the Communists might consider establishing relations with Western powers.²⁰

¹⁵ Mao, 'Carry the Revolution Through to the End,' 30/12/48 in *Selected Works*, Vol. IV. pp. 299-307.

¹⁶ Zhang, 'Xin Zhongguo waijiao,' pp. 27-29.

¹⁷ Chen Jian, 'The Myth of America's "Lost Chance" in China: A Chinese Perspective in Light of New Evidence,' *Diplomatic History*, Vol. 21, No. 1 (Winter 1997), pp. 78, 82.

¹⁸ *Ibid.*, pp. 78, 82.

¹⁹ Herbert W. Briggs, 'American Consular Rights in Communist China' in *The American Journal of International Law*, Vol. 44, No. 2 (Apr., 1950), pp. 243-246.

²⁰ Zhang, 'Xin Zhongguo waijiao,' pp. 27-29.

The arrests served their purpose and in May 1949 the State Department made clear their intention to close the Shenyang consulate. The Americans complained that their staff had been denied adequate food, water and sanitation. Ward was informed in June that he and his staff could leave, but a scuffle with a Chinese former member of staff led to the re-arrest of Ward and four others for assault. A letter of protest from the US Consul General was ignored by Zhou. In November the remaining consular personnel were tried, found guilty and deported on Zhou's orders.²¹ The Shenyang model of non-recognition and hostile treatment was replicated throughout China.²²

The CCP's hostility to the Western powers was part of a wider policy which included courting the Soviet Union. The CCP's relationship with the Soviets was a turbulent one which had so far proved quite underwhelming. As Christian Hess's study of Sino-Soviet relations in the port of Dalian in the early 1950s has demonstrated, relations between the two powers were often distinctly uneasy.²³ Since the CCP's foundation in 1921 numerous tactical errors had been committed on the advice of Comintern agents. Stalin preferred the idea of a united China to a revolutionary China and had consistently pushed the CCP towards compromise with the Guomindang.²⁴ Nevertheless, the Soviet model of fast industrial growth under the aegis of a strong Party-state based on egalitarian values was very appealing, especially to groups such as the CCP who had bad memories of dealing with Western governments and business interests.²⁵ Communist revolutionaries of all countries were inspired by the 1917 October Revolution and by the idea of internationalism. The interests of national Communist parties were indivisible from those of the world revolution. Communist movements across the world professed their loyalty to Moscow and to Stalin and were guided by the Cominform. The Chinese were no different.²⁶

In 1948 Yugoslavia had broken away from the Soviet camp. This caused a crisis that threatened to break the unity of the Communist bloc. The following year saw changes of

²¹ Zhou Enlai, 'Guanyu chuli Mei jiandie an gei Dongbei ju de dianbao' [Telegram to North Eastern Bureau on resolving the American spy case], Zhou Enlai, *Zhonggong Zhongyang wenxian yanjiushi, Zhongyang Dangangan bian, Jianguo yilai Zhou Enlai wengao, di yi ce, 1949 nian 6 yue – 1949 nian 12 yue* [Zhou Enlai's Manuscripts Since the Founding of the People's Republic of China, Vol. 1, June 1949 to December 1949] (Beijing: Zhongyang wenxian Chubanshe [Central Documents Publishing House], 2008), pp. 30-33.

²² Briggs, 'American Consular Rights,' pp. 243-6.

²³ Hess, 'Big Brother is Watching,' *Dilemmas of Victory*, pp. 160-183.

²⁴ Xiang, *Recasting*, pp. 156-7.

²⁵ Darwin, *After Tamerlane*, pp. 473-4.

²⁶ Hobsbawm, *Revolutionaries*, pp. 4-7.

leadership in many Eastern European countries as the Soviets sought to remove those who deviated from Moscow's policies. Even leaders who had been directly appointed by Moscow, like Gomulka in Poland and Kostov in Bulgaria, were removed from power.²⁷ Like Josip Broz Tito's Yugoslavian guerrillas, the CCP did not owe their victory to Soviet support and this made Stalin wary.²⁸ As the Chinese attempted to demonstrate their loyalty, their attitude towards Western powers hardened.²⁹

At the turn of the year 1948-1949 the Communist armies carried out three massive campaigns in north China (the Liaoning-Shenyang, Huaihai and Beijing-Tianjin campaigns), effectively destroying the Guomindang armies north of the Yangzi River.³⁰ Relations between the Chinese Communists and the Soviets reached their nadir in January 1949 when Stalin had tried to force a negotiated political solution to the Chinese Civil War just as the CCP were poised to deal the death blow to the Guomindang's armies.³¹ Stalin realised that he had miscalculated and had gravely underestimated the CCP's potential to win power. He sent his problem-solver, Politburo member Anastas Ivanovich Mikoyan, to Beijing to meet with the Chinese leadership. The Vice Chairman of the CCP Liu Shaoqi paid a return visit to Moscow in July 1949. Stalin apologised to Liu for his prior attitude towards the Chinese Communists.³²

After the war was won, the CCP would set up a new national government. The CCP realised that Western powers might choose this moment to confer recognition in an attempt to enter into diplomatic relations. They needed to decide on a response. At a Politburo meeting in January 1949, Mao said:

...it is not necessary to blindly rush to recognise the imperialists. We want to overthrow them, not to recognise them[.] If we wish to have relations in the future we can consider this but there is no need to hurry, the only hurry is to establish relations with the USSR and Democratic Countries.³³

²⁷ David Thomson, *Europe since Napoleon* (Harmondsworth: Penguin Books Ltd., 7th edition 1972), pp. 830-834.

²⁸ Xiang, *Recasting*, pp. 140-169.

²⁹ Zhang, 'Xin Zhongguo waijiao,' pp. 27-29.

³⁰ Westad, *Decisive Encounters*, pp. 181-214; CWIHP, Cable, Kovalev to Stalin, Report on the 22 May CCP CC Politburo Discussion, 23/5/49.

³¹ Xiang, *Recasting*, pp. 156-7.

³² Lorenz M. Luthi, *The Sino-Soviet Split: Cold War in the Communist World* (Princeton, N.J.; Oxford: Princeton University Press, 2008), pp. 29-30; Chen Jian, *China's Road to the Korean War: the making of the Sino-American confrontation* (New York: Columbia University Press, 1994), pp. 69-78.

³³ Zhang, 'Xin Zhongguo waijiao,' p. 29.

'Non-recognition,' said Mao to Mikoyan, 'unties our hands in relations with states' and 'gives us an opportunity to take a firmer grasp.' Recognition would only allow Western powers to secure their vested interests in China and gain leverage over the CCP.³⁴ It was in a meeting with Mikoyan that Mao first used the analogy of 'sweeping the house clean':

The big house that is old China has been made too dirty, too chaotic by Western imperialism, it needs to be swept earnestly and thoroughly, only after the house has been swept clean can we invite in guests.³⁵

After the Politburo meeting, the Party's 'Directive on Foreign Affairs Work' (*Guanyu Waijiao Gongzuo de Zhishi*, 关于外交工作的指示), written by Zhou Enlai and revised by Mao was distributed. This document reaffirmed the 'non-recognition' policy and introduced the new policy of '*lingqi luzao*' (另起炉灶) or 'starting a new kitchen' which stated that the CCP did not recognise any treaties signed, or privileges conferred, by previous governments. These two policies were aimed at beginning China's foreign affairs again from scratch on a 'foundation of equality, mutual interest and mutual respect for territorial sovereignty' (*pingdeng, huli huxiang zunzhong lingtu zhuquan jichu shang*, 平等互利互相尊重领土主权基础上). They believed that this was the only way that they could get rid of the imbalance of power and the vested interests that were left over from the former 'semi-colonial' state of affairs.³⁶ Equality in foreign affairs was considered crucial to the success of the revolution.³⁷

In June 1949 a third policy was added to form a triumvirate that remained at the core of China's foreign policies for years to come. Mao's new confidence in the Sino-Soviet relationship led to the announcement of the policy of 'leaning to one side' (*yi bian dao*, 一边倒). 'Leaning to one side' meant allying closely with the USSR. In his speech he evoked the story of Wu Song (武松), one of the heroes of the Song Dynasty (960-1279) classic *The Outlaws of the Marsh* (*Shuihu zhuan*, 水浒传). Wu Song had slain a tiger with his bare hands

³⁴ CWIHP, Memorandum of Conversation between Anastas Mikoyan and Mao Zedong, 31/1/49.

³⁵ Zhang Hanfu zhuan bian xie zu, *Zhang Hanfu zhuan* [Biography of Zhang Hanfu] (Shijie zhishi chubanshe [World Knowledge Press], 2003), pp. 142-3; (*Jiu Zhongguo zhe jian da wuzi, bei Xifang diguozhuyi jinlai gao de tai zang tai luan, xuyao renzhen chedi de dasao, da sao wan wuzi cai neng qingke ma*, 旧中国这件大屋子, 被西方帝国主义进来搞得太脏太乱, 需要认真彻底的打扫, 打扫完屋子才能请客嘛).

³⁶ Zhang, '*Xin Zhongguo waijiao*,' pp. 23, 29.

³⁷ Chen, 'Lost Chance,' p. 85.

while alone at night on Jingyang Ridge (景陽崗). Mao stressed that the CCP had to take a stance against foreign, especially American, imperialists; 'the tiger ... was a man-eater, whether irritated or not. Either kill the tiger or be eaten by him – one or the other.'³⁸ CCP leader Bo Yibo (薄一波) later recalled that the USSR's support was a great reassurance to the CCP, 'a giant standing behind our backs'.³⁹

As the PLA advanced southwards, more foreign citizens and property came under their control. The CCP had resolved as early as 1928 to nationalise foreign property in China, and in 1949 it would perhaps have been a simple matter to announce the nationalisation of foreign assets. Unfortunately, Mao informed Mikoyan, foreign capital was such an integral a part of the Chinese economy that the CCP needed to take a very cautious approach to eliminating it.⁴⁰ Rash action might cause military or economic retaliation, the immediate burning of diplomatic bridges and claims for compensation. In February 1949 Mikoyan suggested to Zhou Enlai that the CCP should nationalise all foreign property except for American property, as the Americans were the only ones that could realistically retaliate. Zhou replied that they did not intend to nationalise anything for the time being.⁴¹ Their policy of elimination would be a long-term one that fitted their aim of preserving short term economic stability, in order to help reconstruct China's shattered economy.

Zhou went on to outline the CCP's future foreign policy to Mikoyan: The lives and property of foreigners would be protected but foreign diplomatic personnel would not be recognised and therefore would not be allowed to continue their activities. They would then be pressured to leave the country. All foreign newspapers and journals publishing within China would be closed. The entry of foreigners into China would be restricted and all foreign organisations 'including missionary organisations, hospitals, schools, cultural and scientific institutions, foreign aid organisations' would be registered with a view to 'controlling and limiting their activities.' Excess land belonging to foreign churches would be confiscated and foreigners who broke the law or who were suspected of espionage would be deported or gaoled. Control would be asserted over China's customs organisation and foreign ships would be denied

³⁸ Mao, 'On the People's Democratic Dictatorship'; see also Niu Jun, 'The Origins of the Sino-Soviet Alliance' in Odd Arne Westad, (ed.), *Brothers in Arms; The Rise and Fall of the Sino-Soviet Alliance, 1945-1963* (Washington DC: Woodrow Wilson Centre Press, 1998), pp. 65-67.

³⁹ Bo Yibo, *Ruogan*, pp. 35-45.

⁴⁰ CWIHP, Memorandum of Conversation between Anastas Mikoyan and Mao Zedong, 31/1/49.

⁴¹ CWIHP, Memorandum of Conversation between Anastas Mikoyan and Zhou Enlai, 1/2/49.

access to China's inland waterways. It had also been decided, Zhou said, to 'establish control over foreign enterprises, banks and their accounting and in case of their breaching established laws, to make them bear responsibility, even as far as closing [them] down.'⁴²

Policy towards foreign businesses

With the conquest of north China all but complete, further key decisions had to be taken regarding external foreign policy and internal foreign affairs policy. These policies were ultimately decided within the broader context of China's domestic situation, alongside the takeover of its large cities. The takeover of 'new areas' and large cities were sources of much anxiety for the CCP.⁴³ Mao warned that he did not want to be like Li Zicheng (李自成), the shepherd turned emperor who overthrew the Ming Dynasty only to be quickly deposed himself. Li's ill-disciplined troops had sacked Beijing and had won few supporters amongst the people.⁴⁴ When the PLA seized Luoyang (洛阳) in April 1948, Mao took the opportunity to denounce the Party's past radicalism. In Luoyang, peasant organisations were not to be allowed into the city, workers' wages and working hours were not to be changed and everything should be planned 'on a long-term basis.' Mao's Luoyang telegram became required reading on urban policy along with his (equally moderate) 'Policy on Industry and Commerce' (February 1948).⁴⁵

As early as 1946 the CCP had been concerned about overt leftism in the 'liberated areas' which had eradicated private enterprises and had placed a severe drain on the economy as private initiative had been stifled.⁴⁶ Before Beijing and Tianjin were captured Mao told Bo Yibo of the North China Bureau that when the cities were taken, only 'bureaucratic capital'

⁴² CWIHP, Memorandum of Conversation between Anastas Mikoyan and Zhou Enlai, 1/2/49.

⁴³ See for example Xi Zhongxun's (习仲勋) report to Mao on problems encountered in northwest China in which Xi wrote that although they had worked hard, studied the issues and sent out many experienced cadres not a few mistakes had already been made when executing policy due to their unfamiliarity with local conditions (for instance they had been expecting the peasants in these areas to be living in 'wretched poverty' (*qionghun*, 穷困) with 'no means to carry on living' (*wufa shenghuo xiaqu*, 无法生活下去) but they were actually relatively well-off) SMA D2-0-2085-46, *Guanyu Xin Qu Gongzuo Wenti gei Mao Zhuxi de Baogao* [Report to Chairman Mao on the Problems of Working in the 'New Areas'], 15/7/48.

⁴⁴ Gao, *Hangzhou*, p. 39.

⁴⁵ Gao, *Hangzhou*, pp. 12-16, see also Mao, 'Telegram to the Headquarters of the Luoyang Front After the Recapture of the City,' 8/4/48, in *Selected Works*, Vol. 4, pp. 247-9; Mao, 'On the Policy Concerning Industry and Commerce,' 27/2/48, in *Selected Works*, Vol. 4, pp. 203-205.

⁴⁶ William Hinton, *Fanshen: A Documentary of Revolution in a Chinese Village* (Harmondsworth: Penguin, 1972, first published 1966), p. 259.

(*guanliao ziben*, 官僚资本) should be taken over. This meant enterprises operated by the Guomindang state and the 'four big families' who were Republican China's political and economic elite.⁴⁷ Other capitalists, the 'national capitalist class' (*minzu ziben jieji*, 民族资本阶级), should be helped to re-open their enterprises and revive production. In effect, any capitalist willing to cooperate could be considered a 'national capitalist.'⁴⁸ Mao had said of the bourgeoisie in 1926:

... their right wing may become our enemy and their left wing may become our friend but we must be constantly on our guard and not let them create confusion within our ranks.⁴⁹

As the PLA approached Beijing and Tianjin, foreigners crowded onto south-bound trains and ships. Foreigners also began to leave Shanghai.⁵⁰ There were risks involved for the CCP in taking large cities like Tianjin. They had little experience in urban administration. This is not to say that they lacked knowledge of urban and economic issues. Liu Shaoqi, Bo Yibo and Chen Yun (陈云) were very skilled in these areas. It was the implementation of policy at ground level that would prove to be the problem. In order to manage the CCP's takeover of urban areas better, Chen Yun recommended in December 1948 that 'special takeover groups' (*zhuanmen jieshou banzi*, 专门接收班子) of twenty to thirty cadres be created.⁵¹ By the time the CCP reached Shanghai they were able to draw on the experience already gained through taking over a host of other large cities including Shenyang, Beijing, Tianjin, Jinan and Xuzhou.⁵²

⁴⁷ Zhonggong Tianjin Shi Wei dangshi yanjiu shi (bian), *Chengshi de jieguan yu shehui gaizao; Tianjin jian* [Takeover of Cities and Social Reform: Volume on Tianjin] (Tianjin: Tianjin Renmin Chubanshe [Tianjin People's Press], 1998), pp. 501-4; For more on the CCP and the 'four big families' see the head of the Ch'en family's memoir; Ch'en, Li-fu, *The Storm Clouds Clear Over China: the Memoir of Ch'en Li-fu, 1900-1993* (edited and compiled by Sidney H. Chang and Ramon H. Myers) (Stanford, Calif: Hoover Institution Press, 1994), p. 214. For the takeover of nearly 50 'bureaucratic capital' financial organisations in Shanghai see Wu Jingping, Zhang Xule, 'Jieguan Shanghai Guanliao ziben jinrong jigou shulun,' [Discussion of the Takeover of Bureaucratic Capital Financial Organisations in Shanghai] *Jindaishi yanjiu* [Modern History Research] (Shanghai: 2003, No. 4), pp. 113-139.

⁴⁸ Bergère, *Shanghai*, pp. 350-351.

⁴⁹ Mao Zedong, 'Analysis of the Classes in Chinese Society,' March 1926, in *Selected Works*, Vol. I.

⁵⁰ 'Over Two Hundred Foreigners Leave Here For Shanghai,' *The Peiping Chronicle*, 17/11/48; '183 US Citizens Leave Tientsin in 2 American Ships,' *The Peiping Chronicle*, 20/11/48; 'US Evacuees in Shanghai Leave Aboard "Butner,"' *The Peiping Chronicle*, 24/11/48; *The Peiping Chronicle*, 27/11/48

⁵¹ Bo, *Ruogan*, pp. 5-9; Gao, *Hangzhou*, pp. 18-19.

⁵² SMA B1/2/3658, *Shanghai Waiqiao Shiwu Chu gongzuo zongjie (chugao)* [Shanghai Foreign Citizens Affairs Department draft summary of work], May 1949 to March 1950; Speech given by Deng Xiaoping to representatives of the new Political Consultative Conference 4/8/49 'Cong dujiang dao zhanling Shanghai' [From Crossing the Yangzi to Occupying Shanghai] in *Shanghai Jiefang*, pp. 1-6; for an English translation see Deng Xiaoping, 'From the Crossing of the Yangzi to the Capture of Shanghai,' 4/8/49, *Selected Works of Deng Xiaoping*, Vol. 1.

Figure 4: Tianjin street scene, 1930s-1940s



Perhaps the most important experience was the takeover of Tianjin. The city had long been amongst the most important industrial and commercial centres in north China; it was the gateway to Beijing and at one time had been home to no fewer than nine foreign concessions. It was, perhaps, the Chinese city that most resembled Shanghai. The concessions had already all been returned to Chinese rule, but what the new Mayor Huang Jing (黄敬) described as the 'semi-colonial nature' of the city was still reflected in Tianjin's classical European-style boulevards and modern industrial areas, with nearly 5,000 industrial enterprises of varying sizes.⁵³ The lessons learnt in the takeover of Tianjin would be employed in Shanghai.

⁵³ Minutes of a report given at the Tianjin Municipal Committee Enlarged Cadre Meeting by Mayor Huang Jing, 'Muqian xingshi he women de renwu' [The Present Situation and Our Tasks], 15/3/49 and 'Tianjin Shi Gongshang Ju guanyu fu gong fu ye wenti de baogao' [Tianjin Municipal Bureau of Industry and Commerce Summary of the Problem of Reviving Industry and Commerce] in *Chengshi de Jieguan*, pp. 82-90.

The Kailuan Mining Administration

The largest of the 216 remaining foreign enterprises in Tianjin was the Kailuan Mining Administration (KMA), which employed over 50,000 Chinese workers in its mines near Tangshan, northeast of Tianjin.⁵⁴ The KMA was the first large British interest (actually a Sino-British joint venture) to come under CCP rule, and precedents set here were echoed in Shanghai.⁵⁵ Coal from these mines was central to the running of China's economy: In 1947 70 per cent of all Shanghai's coal came from the KMA.⁵⁶

As the PLA drew closer to the mines the KMA management were approached through informal channels. They were promised that their lives and property would be protected as long as they maintained production and prevented disorder or sabotage.⁵⁷ The banishment of the corrupt Guomindang was welcomed at first by the company's managers but their early optimism soon proved misplaced. A short time after the takeover north China's economy had deteriorated rapidly; industry was not functioning, taxes were extortionate and no wealth was being produced. Extraordinary taxes were imposed on the KMA to support the faltering economy. The CCP-controlled labour unions stirred up KMA's workers against the management. 'It is still just possible,' wrote Pryor, the chief manager, 'that these various influences have run riot and have not been guided by higher policy against us. But I think they have, and the result anyway is the same.'⁵⁸ The British Ambassador remarked that the CCP were succumbing to 'the temptation of easy money by taxation even at the risk of killing the industrial goose that lays the golden egg of urban prosperity.'⁵⁹ One Foreign Office

⁵⁴ The National Archives [TNA] FO 371/75930, British coal mining interests in China: negotiations with the communists concerning the Kailan Mining Administration, 1949; S.L. Burdett, Consul General, Tianjin to Nanjing, No. 299, 1/8/49. The spelling 'Kailuan' is used here in the text as this is the correct pinyin transliteration of the KMA's Chinese name, (开滦). The KMA was referred to as 'Kailan' by foreigners at the time; the figure 216 comes *Chengshi de Jieguan*, p. 479.

⁵⁵ *Zhang Hanfu zhuan*, pp. 112-114.

⁵⁶ *Shanghai Jiefang*, p. 487.

⁵⁷ TNA FO 371/75929, British coal mining interests in China; negotiations with communists concerning the Kailan Mining Administration, 1949; Consul General Burdett, Tianjin to Nanjing, Correspondence between the [KMA] and the Communists with a view to preservation of property, No. 506, 22/12/49; Tangshan Municipality Military Control Commission of the North-Eastern Liberation Army, to Mr. Wei, 5/12/48.

⁵⁸ TNA FO 371/75929, British coal mining interests in China; W. Pryor to E.J. Nathan (Chinese Engineering and Mining Company), April 1949; Nanjing to Foreign Office, No. 522, 27/4/49, forwarding paraphrased message to Sir R. Stevenson Nanjing from W. Pryor, 26/4/49; Sir R. Stevenson, Nanjing to Foreign Office, No. 429, forwarding message from Tianjin, 12/4/49.

⁵⁹ TNA FO 371/75865, British Commercial Interests in China, 1949; Embassy Nanjing, to Scarlett, Foreign Office, No. 232, 18/4/49.

observer sounded a further note of caution, saying that running foreign enterprises out of business through financial squeezing and penal taxation before taking them over was 'standard practice throughout the Soviet orbit.'⁶⁰

The vitriol of the workers was directed first towards the senior Chinese staff. These 'running dogs of imperialism' made easy targets. One after another they all resigned or broke down. Pryor observed that Tianjin's civil society figures were 'falling over themselves to embrace the new faith or at any rate to pretend that they are doing so' and he had no doubt that the senior Chinese KMA staff would 'do exactly as they are told.'⁶¹ In January and April 1949 over a hundred miners died because of ventilation problems. The Chinese management took the blame for this. After one particularly long and heated meeting, Chief Administrator Wei Tong (Wei Zhun, 魏肫) tendered his resignation, saying that he could 'do no good and it is horrible to have to give way all the time.' The tone and composition of Wei's letter suggests a once proud man who had been completely broken. His letter ended, 'I am sorry my mind is too confused to write more.'⁶² Once enterprises were taken over compliant, broken men like Wei would often be kept on and their skills put to use.

In 1947 the KMA had employed more than a hundred foreigners who were mostly British administrators and Belgian technicians. By October 1949 this number had shrunk to less than forty, and their numbers continued to decrease.⁶³ Foreign staff were subject to a great deal of what Pryor termed 'mental worry and tiredness,' through 'constant struggling with stubborn and ignorant officials.'⁶⁴

In July a British employee named Woithe, the superintendent of the Linxi (林西) power station, was badgered into attending a meeting with workers and union representatives where

⁶⁰ TNA FO 371/75929, British coal mining interests in China; Unsigned minute written on Nanjing to Foreign Office, No. 522, 27/4/49, forwarding paraphrased message to Sir R. Stevenson Nanjing from W. Pryor, 26/4/49.

⁶¹ TNA FO 371/75930, British coal mining interests in China; Extracts of letter from W. Pryor to wife dated 5/4/49-7/4/49 enclosed in The Chinese Engineering & Mining Company, Ltd., London to Foreign Office, 2/5/49; W. Pryor to E.J. Nathan, 31/7/49.

⁶² TNA FO 371/75929, British coal mining interests in China; New China News Agency, Beijing, 7/4/49; W. Pryor to E.J. Nathan (Chinese Engineering and Mining Company), April 1949; Wei Tong to W. Pryor, 6/4/49. Wei Tong's resignation was not accepted.

⁶³ TNA FO 371/75930, British coal mining interests in China; 'Communists and the Kailan Mines,' *The Economist*, 15/10/49, written by Ian Morrison in Hong Kong.

⁶⁴ TNA FO 371/75929, British coal mining interests in China; W. Pryor to E.J. Nathan, 20/5/49; W. Pryor to E.J. Nathan, 2/5/49.

he was accused of causing the death of one of the foremen.⁶⁵ Apparently Woithe had scolded this man so viciously for allowing some of the workers to leave early that he had left in floods of tears and coughing up blood. Woithe, like many of his contemporaries, does indeed seem to have had little respect for Chinese workers, but it appears that the man's death was ultimately caused by tuberculosis. After being harangued for seven hours Woithe finally lost his patience and stormed out. This triggered a surge of anger. The union demanded a full apology. The CCP press called on workers to oppose 'the imperialism of Woithe.' For propaganda purposes, this individual came to embody foreign aggression. He was compelled to write a full apology before leaving China for his own safety.⁶⁶

In April 1949 the KMA was barely functioning when suddenly things began to look more promising. The long-term cause of this improvement was that, in January 1949, Zhou Enlai appointed a small group based in Tianjin to research future policy towards the elimination of foreign interests in China with an immediate focus on the KMA.⁶⁷ In March the research group had reported back, suggesting that the best policy would be to 'take steady steps forward and treat each situation on its merits' (*wenbu qianjin, qubie duidai* 稳步前进, 区别对待). Rather than immediately expropriating the mines it was decided to lay the groundwork steadily for an eventual takeover. The immediate priorities were to maintain production, take steps towards controlling production and sales, and to enter into a dialogue with the foreign management.⁶⁸

The research group was led by the future head of the Shanghai Foreign Affairs Department (FAD), Zhang Hanfu (章汉夫). Zhang, his official biographers write, was a large, affable man. The son of an industrialist, he was educated at Beijing's prestigious Tsinghua University and had studied in the United States. He spoke English well and had spent more

⁶⁵ TNA FO 371/75930, British coal mining interests in China; Wei Tong to W. Pryor and Yu, 31/7/49.

⁶⁶ TNA FO 371/75930, British coal mining interests in China; Meeting of the 18th July, Evening, Report by R. Dufrasne, Chief Mining Engineer, Tangshan, 19/7/49; Translation of a Letter from The Preparation Committee of the Tangshan General Labour Union, and "Unchanged Imperialistic Mouth and Face," *Hsin Wan Pao* [*Xin Wanbao*], 1/8/49; Letter- dated 25/7/49- from 'The whole body of workmen of the Linsi Power Plant attached to Wei Tong to W. Pryor and Yu, 31/5/49; W. Pryor to E.J. Nathan, 31/7/49.

⁶⁷ *Zhang Hanfu zhuan*, pp. 108, 110-12; Liu Songbin, *Zhongguo Gongchandang dui da chengshi de jieguan: 1945-52* [The Chinese Communist Party and the Takeover of Large Cities: 1949-1952] (Beijing: Beijing Tushuguan Chubanshe [Beijing Library Press], 1997), p. 300; Zhang Wenpu, 'Zai Tianjin congshi waishi gongzuo de huiyi,' *Chengshi Jieguan Qinli Ji Bian Wei Hui, Chengshi jieguan qinli ji* [The Witnesses to the Takeover of the Cities] (Beijing: Zhongguo Wenshi Chubanshe [Chinese Culture and History Press], 1999), pp. 148-151; *Chengshi de jieguan*, p. 467.

⁶⁸ *Zhang Hanfu zhuan*, pp. 112-114; TNA FO 371/75929, British coal mining interests in China; W. Pryor to E.J. Nathan (Chinese Engineering and Mining Company), April 1949.

than ten years operating underground in Guomindang 'white' areas including Shanghai and Hong Kong before finally joining the main body of the CCP in the 'Liberated Areas' in 1948.⁶⁹ Zhang's group also included Xu Yongying (徐永煥) and Wang Chaocheng (王朝成) who also both went on to work with Zhang in Shanghai.⁷⁰

In April Liu Shaoqi embarked on an inspection tour of Tianjin. Here he famously made several speeches on urban policy that urged stability, gradualism and cooperation with national capitalists. Liu's decision to visit the KMA demonstrated the company's importance. Here, he stressed that although the interests of foreign capitalists were clearly in opposition to those of the Chinese people, the 'main contradiction' was between the Chinese people (represented by the CCP) and the Guomindang regime with their American allies. They should work to dispel the misgivings of the British capitalists. Chinese capitalists should be 'treated as friends' (*yi pengyou xiangdai*, 以朋友相待) unless they were deliberately causing trouble, in which case they would be 'criticised and struggled against' (*piping he douzheng*, 批评和斗争). CCP policy was to 'unite' (*lianhe*, 联合), not to 'struggle' (*douzheng*, 斗争).⁷¹

According to the Mayor of Tianjin the city's workers had previously 'made demands that were far too high' (*guoguo gao de yaoqiu*, 过过高的要求). This had induced 'panic' (*konghuang*, 恐慌) among the capitalists; 'capitalists do not dare to manage with severity,' he said, 'they do not dare expel or punish workers who do not work well.' (*zibenjia ye bu gan yange de guan, bu gan kaichu huo chufa gongzuo bu hao de gongren*, 资本家也不敢严格的

⁶⁹ He Ming, *Gongheguo Di Yi Pi Waijiaoguan* [The Republic's First Generation of Foreign Affairs Officials] (Zhongguo Dabaike Quanshu Chuabanshe [Encyclopaedia of China Publishing House], 2010), pp. 15-17, 125; Zhang Hanfu *zhuan*, pp. 106-7, 125.

⁷⁰ Zhang Hanfu *zhuan*, pp. 112-114, 126; SMA B23/2/32/34, *Shanghai Shi Renmin Zhengfu guanyu gongbu Dizheng Ju, Waiqiao Shiwu Chu ganbu mingdan de wenjian* [Shanghai People's Government document announcing name list of cadres in the Land Administration Bureau and Foreign Citizens Affairs Office], 23/01/50; Wang Chaochang was appointed head of the First Section of the Shanghai Foreign Affairs Department in January 1950.

⁷¹ See the Military Representative (and Party Secretary) Wang Lin's (王林) account '*Liu Shaoqi Tongzhi Yi Jiu Si Jiu Nian zai Kailuan*' [Comrade Liu Shaoqi at Kailuan in 1949], in *Geming Huiyi Lu* [Revolutionary Memoirs] (Beijing, Renmin Chubanshe [People's Printing Press], 1980), pp. 1-13. Wang recalled that Liu had stressed that they should 'Work to dispel the misgivings of British capitalists and their agents.' (*duiyu Yingfang zibenjia ji qi dailiren yao zuo gongzuo, xiaoshi tamen de yiliu*, 对于英方资本家及其代理人要做工作, 消释他们的疑虑).

管，不敢开出或处罚工作不好的工人)。Liu's presence calmed the restive mood at the mines and across the city.⁷²

The approach of the Communist armies towards Shanghai gave the KMA a lot more bargaining power. The CCP were now acutely conscious of their need for a large and stable supply of fuel. Moreover, the CCP would want to calm the fears of foreign businessmen in Shanghai to avoid the economic chaos that would inevitably follow a panicked withdrawal. The manager, Pryor, was able to arrange a meeting with the Minister of Industry in Beijing. He was promised a low-interest loan, reduced taxes and better labour discipline.⁷³ The company's London-based director E.J. Nathan observed:

The top authorities now at least appreciate that our difficulties are serious – I really think that previously they believed we were so full of wealth and strength that we could carry on indefinitely being squeezed lustily.⁷⁴

At the Second Plenary Session of the Seventh CCP's Central Committee in March 1949, Mao made a landmark speech in which he announced that, for the first time since 1927, 'the centre of gravity of the Party's work' would shift 'from the village to the city.' At the same time he called for the Party to 'systematically and completely [destroy] imperialist domination in China.' Wherever the PLA armies overthrew the Guomindang, Mao added, 'imperialist political domination is overthrown.' Economic and cultural establishments were to be 'allowed to exist for the time being, subject to our supervision and control, to be dealt with by us after country-wide victory.' If they could not revive China's battered economy then the revolution would fail. Caution and compromise would be needed.⁷⁵ Mao's words were echoed by Liu Shaoqi, who said;

⁷² On Liu's visit to Kailuan see TNA FO 371/75929, British coal mining interests in China; W. Pryor to E.J. Nathan, 14/5/49; and on Liu's visit to Tianjin see '*Huang Jing gei Mao Zhuxi ji HuaBei Ju de zonghe baogao*' [Comprehensive Report from Huang Jing to Chairman Mao and the North China Bureau], 22/11/49, in *Chengshi de jieguan yu shehui gaizao*, pp. 171-7. 505.

⁷³ TNA FO 371/75929, British coal mining interests in China; W. Pryor to E.J. Nathan, 2/5/49; Sir R. Stevenson, Nanjing to Foreign Office, No. 429, forwarding message from Tianjin, 12/4/49; Sir R. Stevenson, Nanjing to Foreign Office, No. 558, 2/5/49, E.J. Nathan to Scarlett, Foreign Office, 1/6/49.

⁷⁴ TNA FO 371/75929, British coal mining interests in China, E.J. Nathan to Scarlett, Foreign Office, 1/6/49.

⁷⁵ Mao, 'Report to the Second Plenary Session', pp. 361-75.

Our successful takeover of the cities must be followed up by their successful administration and transformation[.] We must get rid of some of the old things – but not too many all at once—and we should let new things grow.⁷⁶

In June Zhou Enlai let it be known through indirect channels that the CCP were not planning to seize the mines.⁷⁷ The CCP leaders realised the value of a policy that allowed the mines to keep running and contributing to the economy, rather than continuing to squeeze the imperialists. As Pryor observed, deciding to moderate policy was one thing; implementing a more moderate policy on the ground was quite another. Local cadres seemed to be doing their utmost to negate the central government's decisions.⁷⁸ The local government-run trading company was still only buying KMA coal at four-fifths the cost of production, and the company was forced to continue to sell it to feed their workers. In some places, the CCP-controlled labour unions had lost all control over the workers. Pryor wrote that the eastern mines area looked 'like a junk yard and all Chinese staff wear a hunted look.' To make matters worse the Guomindang had blockaded Shanghai and this meant that KMA coal could not be shipped there. By this time the KMA had lost all of its £3,000,000 capital in China.⁷⁹ At the end of July, a chief military representative was sent by the government, ostensibly to liaise with and assist the management. In fact the representative established himself as a separate authority, in preparation, Pryor believed, for an eventual takeover.⁸⁰

It was not only the case that the pragmatic policy of the central leadership was obstructed by the more radical local cadres: a strong anti-imperialist sentiment pervaded all levels of the CCP. This hostility led them to approach the KMA as more than an industrial concern: in one report in the CCP's *Jinbu Ribao* (Progress Daily, 进步日报) the KMA was described as 'a cogent example of the deep-rooted strength of imperialism in China':

⁷⁶ Liu Shaoqi, 'Some Questions Concerning Urban Work,' 12/3/49, *Selected Works of Liu Shaoqi*, Vol. 1.

⁷⁷ TNA FO 371/75929, British coal mining interests in China; W. Pryor to E.J. Nathan, 13/6/49.

⁷⁸ TNA FO 371/75930, British coal mining interests in China: negotiations with the communists concerning the Kailan Mining Administration, 1949; W. Pryor to E.J. Nathan, 21/6/49; TNA FO 371/75929, British coal mining interests in China; W. Pryor to E.J. Nathan, 2/5/49; see also Gao, *Hangzhou*, pp. 16, 86-7.

⁷⁹ TNA FO 371/75930, British coal mining interests in China; W. Pryor to E.J. Nathan, 8/7/49; W. Pryor to E.J. Nathan, 8/7/49; W. Pryor to E.J. Nathan, 9/8/49.

⁸⁰ TNA FO 371/75930, British coal mining interests in China; W. Pryor to E.J. Nathan, 31/7/49; W. Pryor to E.J. Nathan, 9/8/49.

The light in the lighthouse at Chingwangtao [Qinhuangdao (the KMA's export port)] is dimmed ... the decline of the KMA Empire is a part of the overall eclipse of imperialist invasion of China in the past century.⁸¹

In his memoirs, Bo Yibo suggests that after taking Tianjin the CCP were caught, for the first time, between workers and capitalists. They were unable to support the workers in 'struggling against the boss' (*dou laoban*, 斗老板) because they needed economic stability. The workers' claims could not simply be dismissed, however, because the CCP needed their support.⁸² In dealing with the KMA; the CCP learnt how to 'squeeze' and pressure foreign businesses, but they also learnt the importance of economic stability. Both pragmatism and ideology were at play.

'Semi-free hands' and a 'foot in the door'

The CCP had so far practised 'the diplomacy of free hands' but by the time they reached Shanghai it was clear that a more practical policy would be needed. In order to keep foreigners from causing large-scale economic instability, the CCP decided that they needed to have 'semi-free hands.' This involved entering into some form of *de facto* relations with Western powers but, Mao stressed, 'These relations of ours with the capitalist countries must be such that at any time we could change our point of view in the interests of the revolution.'⁸³ The leadership warned General Chen Yi (陈毅), whose army was closing in on Suzhou (under a hundred kilometres from Shanghai), to show restraint towards foreigners and to bear in mind that the CCP may still be open to establishing relations with America and Britain if they severed their ties with the Guomindang.⁸⁴ This suggests that the CCP were not as set against establishing relations with the Western powers as has previously been believed.

⁸¹ TNA FO 371/75930, British coal mining interests in China; Consul General Tianjin to Nanjing, No. 43, 10/3/49- Translation of Feature Article in the *Jinbu Ribao* [Progress Daily] dated 5/3/49, 'Wither the K.M.A. Empire?'

⁸² Bo, *Ruogan*, p. 14.

⁸³ CWIHP, Cable, Kovalev to Filippov [Stalin], 13/4/49.

⁸⁴ *Zhonggong Zhongyang Junwei zhishi, Zongqianwei zan buyao qu zhan Suzhou, Kunshan zhudian* [CCP Central Military Committee Order, Frontline Headquarters temporarily not to occupy Suzhou and Kunshan, various points for consideration], 28/4/49, in, *Shanghai Jiefang*, p. 247; 'We believe that if America (and Britain) can sever [ties with the Guomindang], we can consider the question of establishing diplomatic relations with them' (*Women renwei ru Meiguo (ji Yingguo) neng duanjie, women keyi laoliu he tamen jianli waijiao guanxi de wenti*, 我们认为如果美国 (及英国) 能断绝, 我们可以考虑和他们建立外交关系的问题).

Much debate has taken place on the subject of whether or not there was a 'missed chance' for relations to be established between America and Communist China. This was a politically charged debate that took place within the context of Cold War anxieties over the 'loss' of China.⁸⁵ Much was later made of the discussions that took place between the US Ambassador John Leighton Stuart and his former student Huang Hua in Nanjing after its fall to the CCP in late April 1949.⁸⁶ Stuart was keen to improve relations between the CCP and the US, but all of his proposals were rejected by the State Department.⁸⁷ Mao pointed out that Stuart's conciliatory words were in stark contrast to the actions of General Douglas MacArthur. MacArthur had recently landed two companies of US Marines in Qingdao and had strengthened the US military presence in Shanghai. The US Government's attitude discouraged the CCP from taking a more positive approach towards them.⁸⁸

American attitudes towards the CCP did not soften in 1949. While a few voices in the State Department spoke in favour of a drastic change in policy towards the Chinese Communists, a break with the Guomindang was by now virtually unthinkable. Such a break would have been a complete negation of their previous policy. It would, in any case, have been completely out of step with Truman and Acheson's anti-Communism. A strong pro-Guomindang 'China lobby' in Washington and the CCP's hostility towards American consular personnel cemented American opposition to the CCP.⁸⁹ At this time neither side was particularly interested in improving relations.

For the first time since the end of the Pacific War, British and American policies towards China would radically diverge.⁹⁰ Britain was keen to keep a 'foot in the door' to preserve her economic interests throughout China and to avoid having to surrender the indefensible colony of Hong Kong.⁹¹ The sentiment held by many in Whitehall and in Shanghai was captured perfectly in a speech given by Lord Strabolgi to the House of Lords:

⁸⁵ See Hooper, *China Stands Up*.

⁸⁶ See Huang Hua, *Qinli yu jianwen: Huang Hua huiyi lu* [Personal Experiences and an Eyewitness Account; Huang Hua's Memoir] (Beijing: Shijie Zhishi Chubanshe [World Knowledge Publishing House], 2007), pp. 80-87 which was reprinted in English as Huang Hua, *Huang Hua Memoirs* (Beijing: Foreign Languages Press, 2008).

⁸⁷ Xiang, *Recasting*, p. 189.

⁸⁸ Zhang, 'Xin Zhongguo waijiao,' pp. 31-34.

⁸⁹ See US Ambassador John Leighton Stuart's appraisal of the situation in *The Forgotten Ambassador: the reports of John Leighton Stuart, 1946-1949* (Boulder, Colo.: Westview Press, 1981).

⁹⁰ 'British & US Attitude to China Differs,' *The Peiping Chronicle*, 26/11/48.

⁹¹ Clayton, *Imperialism Revisited*, pp. 123-138, 199-208; see also Shao, *China, Britain*, pp. 31-4.

We, fortunately, have not committed ourselves so seriously as our American friends to the support of the [Guomindang]. The British have always had an excellent name in China. British commerce was dominant there until recent years and is still of the greatest importance. British banking and commercial methods are appreciated and admired by the Chinese. The Chinese and the British have always got on well together, and I do not see why that state of affairs should not continue ... I am not too optimistic about it, but, at the same time, I think it would be a mistake to take a too pessimistic view of China's position, and to imagine that a sort of Iron Curtain is going to be lowered around the borders and coasts of that great country.⁹²

Shanghai Consul General Robert Urquhart was among the chief proponents of the 'open door' policy because he considered it 'in the long run a national advantage to have a British community in position here.'⁹³ At this time, around half of China's exports went through the major British trading houses. Britain was strongly represented in other sectors too; nearly half of all deep water frontages in the country were British owned and operated, and companies like the China Engineering and Mining Company (the British owners of KMA) and Shell dominated their fields.⁹⁴ The under-development of wide sectors of China's economy (it was, for example, especially dependent on foreign shipping) led many to predict that it would be unable to survive without British trade.⁹⁵ Urquhart also doubted whether the CCP were up to the job of running Shanghai;

I venture to think that the Communists will lose a lot of their bounce when they have had Shanghai on their hands for a month or two. Britain and America ought to have no difficulty in imposing their will eventually on their bankrupt economy⁹⁶

The value of British trade with China was small. It accounted for around 1 per cent of the UK's total trade in 1948. In terms of the value of foreign trade per capita in January to September 1946, Chinese trade was worth only seven shillings. This was very small in contrast to the value of trade with the USA (£18.11s) and New Zealand (£58.18s). Nevertheless, the Foreign Office considered the British presence in China priceless in terms

⁹² Hansard, Hong Kong Defences, Lord Strabolgi (Joseph Kenworthy) speaking in the House of Lords, HL Deb, Vol. 16, 3/2/49, pp. 543-5.

⁹³ TNA FO 371/75940, Position of British subjects in China: evacuation from Shanghai, 1949; Shanghai to Foreign Office, No. 280, 30/4/49.

⁹⁴ TNA FO 371/75864, British commercial interests in China, 1949; 'British Interests in China,' P.W. Scarlett, Foreign Office, 12/1/49; 'Economic Weaknesses of a Communist dominated China and the position of British interests,' December 1948-January 1949.

⁹⁵ TNA FO 371/75864, British commercial interests; 'Economic Weaknesses'.

⁹⁶ TNA FO 371/75940, Position of British subjects in China; Shanghai to Foreign Office, 15/5/49, No. 344.

of its political importance. Around 80 per cent of this 'stake' was in Shanghai.⁹⁷ This sentiment was echoed in the head offices of the major British firms like Butterfield & Swire, British American Tobacco and HSBC. They considered that their best option was to keep their branches going and attempt to trade with the new government.⁹⁸ HSBC's Shanghai Manager G.H. Stacey wrote informing Urquhart that the bank's policy was to make a short-term sacrifice in order to safeguard their long-term position;

... to stay in China and to do business under the new regime, provided we enjoy the normal safeguards of life and property ... We have been established here for the past 85 years and have had many ups and downs. We share with you the belief that to clear out now might result in irreparable harm.⁹⁹

At the December 1948 meeting of the British Residents' Association, Urquhart called on British residents, except for women and children, to stay put;

... give me always the man or woman who looks twice at a rumour – and who thinks twice before abandoning his settled ways. There is something to be said after all for the man who stays in his rut!

... we will suffer, certainly; but China will suffer more. If any damage ensues to the industries of Shanghai, we will suffer, yes! But our loss will be a fraction of the loss to China – to the great area which these industries serve. These things are so fundamental – so grounded in reason and common sense that their logic must surely prevail.¹⁰⁰

⁹⁷ TNA FO 371/75864, British commercial interests in China, 1949; 'British Interests in China,' P.W. Scarlett, Foreign Office, 12/1/49; 'Economic Weaknesses'.

⁹⁸ John Swire & Sons Company Archive, DNOE 3, John Swire Scot letter to London Office, 20/1/49; TNA FO 371/75864, British commercial interests; 'British Commercial Interests in China: hopes for diplomatic support in 'keeping the flag flying' in China, January 1949 [on BAT's proposed policy]; HSBC SHGI 0650.3, Private correspondence of G. Stacey, Shanghai Manager, 1949, Letter from Chairman and Chief Manager Sir Arthur Morse to Shanghai Manager G.H. Stacey, 19/3/49. Morse wrote; I am afraid that I do not agree with the view that we should withhold any help [from the CCP]... as in my opinion it would be more likely to hasten the day when we would be completely shut out, whereas by giving help we may gain a little goodwill.'

⁹⁹ HSBC SHGI 0650.3, Private correspondence of G. Stacey, Shanghai Manager, 1949; Letter from G.H. Stacey to Consul General Urquhart, 18/1/49.

¹⁰⁰ TNA FO 371/75938, 'Position of British subjects in China,' Minutes of the 13th Annual General Meeting of the British Residents' Association of China held on 16/12/48.

'A spot of bother' - the Amethyst incident

After seizing Beijing and Tianjin at the start of the year, the PLA had moved on to secure almost the entirety of China north of the great Yangzi River, which divides the nation from west to east. In April, as Communist troops massed on the northern bank of the Yangzi and prepared to cross, a British frigate, HMS *Amethyst*, was travelling up river from Shanghai to Nanjing. On the 20th April Communist artillery mistook the *Amethyst* for an enemy ship and opened fire. The *Amethyst* was marooned in hostile territory. Three other British ships were fired on during two separate rescue attempts. During the incident, the *Amethyst* had returned fire and, according to the CCP, had killed some 252 Chinese soldiers (a figure considered highly dubious by the British).¹⁰¹

Speaking in the House of Commons Harold Macmillan described the incident as a 'catalogue of folly'. Sending a warship to Nanjing, he suggested, had either been a remarkable act of foolishness or a strange reversion to the 'gunboat mentality' of the past:

After all, any neutral destroyer that happened to be sailing down the channel on the morning of "Overlord" might have run into a spot of bother. Secondly, the river route inevitably invoked the memories and perhaps the traditions of Europeans in China when they held a position, quite apart from Communism, which belongs to the past¹⁰²

Despite the deaths of 32 British soldiers and the wounding of 53 others, the British hoped to downplay the incident, so as not to jeopardise their interests in Shanghai.¹⁰³ Mao ordered that the incident was to be used for propaganda purposes, to 'educate' the people about imperialism, 'but it should not be inflated or intensified.' Moderation would be essential in case it became desirable to improve relations with Britain in future.¹⁰⁴ Huang Hua recalled that the CCP were more concerned with defeating the Guomindang and seizing Shanghai;

¹⁰¹ Hansard, China (British Policy), HC Deb, Vol. 464, 5/5/49; Hansard, Attacks on H.M. Ships in China, Statement by Prime Minister Clement Atlee, HC Deb, Vol. 464, 26/4/49; Mao Zedong, 'On the Outrages by British Warships: Statement by the Spokesman of the General Headquarters of the Chinese PLA,' 30/4/49, in *Selected Works*, Vol. IV. pp. 401-403.

¹⁰² Hansard, China (British Policy), HC Deb, Vol. 464, 05/3/49.

¹⁰³ Hansard, Attacks on H.M. Ships in China, Statement by Prime Minister Clement Atlee, HC Deb, Vol. 464, 26/4/49.

¹⁰⁴ 'Zhonggong Zhongyang Junwei zhishi, Zongqianwei zan buyao qu zhan Suzhou, Kunshan zhudian' [CCP Central Military Committee Order, Frontline Headquarters temporarily not to occupy Suzhou and Kunshan, various points for consideration], 28/4/49, in *Shanghai Jiefang*, p. 248; 'should not be inflated...' (*Chu jieci zuo xuanchuan jiaoyu renmin wai, shijishang women yi bubi kuoda zhe jian shi*, 除借此做宣传教育人民外, 实际上我们亦不必扩大这件事).

‘when confronted by a wolf, one ignores the fox... we had no time to bother with the British, but did keep the matter on record.’¹⁰⁵ As both the British and the CCP were keen to avoid any further crises, they downplayed the incident.¹⁰⁶

Mao used this opportunity to lay down terms for future relations with foreign governments, most importantly the severing of all ties with the Guomindang and the removal of all foreign military forces.¹⁰⁷ CCP policy was to force the British to apologise for having infringed on Chinese sovereignty; until they had done so, the *Amethyst* would be prevented from leaving.

The *Amethyst* eventually escaped downriver on the night of the 30th July using a passenger ship, the *Liberated Jiangling*, for cover. Beijing was furious with the local military commanders, firstly for letting the *Amethyst* escape and secondly for firing at her as she did so (the commanders had been under orders to let her go if she attempted to escape; a statement would follow denouncing the perfidy of the British). Instead, their fire had justified the escape attempt and had damaged the *Liberated Jiangling*.¹⁰⁸

‘Staying put’ in Shanghai

In Shanghai the incident was watched carefully for signs of what was to come. A cautious optimism remained in some quarters. As American newspaper editor Randall Gould observed, the foreign community in Shanghai were ‘veterans of many Chinese wars’ and they had also had quite enough of the Guomindang.¹⁰⁹ This optimism was partly reinforced by a misplaced idea that Communism would not take hold due to the xenophobic qualities of Chinese culture.¹¹⁰ In Gould’s words;

¹⁰⁵ Huang Hua, *Memoirs*, p. 125.

¹⁰⁶ TNA PREM 8/945, ‘Situation in Shanghai,’ 1949; Nanjing to Foreign Office, Copy of Nanjing to Shanghai, 10/5/49; *Jiefang Ribao* [*Liberation Daily*], Shanghai, 3/8/49 in HSBC SHGI 0001, Summaries of news and reports (political, economical, financial) for senior management, July-December 1949.

¹⁰⁷ Mao, ‘On the Outrages,’ in *Selected Works*, Vol. IV, pp. 401-403.

¹⁰⁸ Zhou Enlai, ‘Zhongyang guanyu chuli ‘Zishiyinghao’ shijian de dianbao’ [Telegrams from the Centre regarding the resolution of the *Amethyst* incident], in *Jianguo yilai Zhou Enlai wengao*, Vol. 1, pp. 88-95.

¹⁰⁹ Randall Gould, ‘Shanghai during the Takeover, 1949,’ *Annals of the American Academy of Political and Social Science*, Vol. 277, Report on China (Sep., 1951), pp. 182-192.

¹¹⁰ For instance Walter Fletcher MP wrote an article in the *Sunday Express* in March 1948 in which he argued that the hard-line Moscow communists were few in number compared to the more ‘traditional guerrillas’ and said that ‘there seems quite a probability that out of this mess may emerge something like a permanent North Chinese Government, not necessarily unfriendly to good relations with other foreign Powers, in that the Chinese element would be sufficiently strong for personal profit and advantage still to take precedence over real Communism.’ Walter Fletcher MP, ‘Don’t worry about the break-up of China; Better off Without Chiang Kai-

We had grown sceptical of the probability of rapid fundamental change in anything Chinese though we were conscious that conditions had grown rotten enough to be due for drastic alteration. But we had often been threatened with dire things which in our own cases mostly failed to materialize. Somehow we had pulled through. It could happen again.¹¹¹

The *Amethyst* incident scuppered the British Government's plans for a large-scale evacuation of their nationals by sea. On the 28th April Consul General Urquhart informed the British community that the Royal Navy had removed their ships to safety. The authorities would arrange transportation out of the city by other means for all who applied.¹¹² Gould and the other foreigners were appalled by the withdrawal, but they expected no less from the British Government, with whom the Shanghailanders had always had a stormy relationship.¹¹³

The withdrawal of the foreign naval forces from Shanghai was later described as 'the first great victory in the anti-imperialist revolution' by the Shanghai FAD. They did not see this as the end of the struggle however, as the imperialists 'just needed an opportunity (loophole) and they would take advantage' (*zhiyao you xi ke cheng*, 只要有隙可乘).¹¹⁴

A general evacuation of British nationals from Shanghai did not take place for three main reasons: firstly, the *Amethyst* incident had demonstrated that the continued presence of foreign warships was both unsafe and provocative.¹¹⁵ Secondly, there was no prolonged period of violent disorder that would have made an evacuation absolutely necessary. The British authorities did not want to incur the costs of planning an evacuation if there were to

shek,' *Sunday Express*, 5/3/48 in HSBC SHG 760.4, S/O Letters on General Subjects Between London and Shanghai, Jan-Dec 1948.

¹¹¹ Randall Gould, 'Shanghai during the Takeover,' pp. 182-192.

¹¹² TNA FO 371/75940, Position of British subjects in China; Shanghai to Foreign Office, No. 340, 11/5//49; Shanghai to Foreign Office, No. 259, 27/4/49.

¹¹³ Gould, 'Shanghai during the Takeover,' pp. 182-192.

¹¹⁴ SMA B1/2/3658, *gongzuo zongjie*.

¹¹⁵ TNA PREM 8/945, 'Situation in Shanghai,' 1949; Prime Minister, China and South-East Asia Committee, Norman Brook memo, 'Shanghai,' 12/5/49.

be no refugees.¹¹⁶ Finally, leading government and business figures wanted to keep 'a foot in the door.'¹¹⁷

British consular officials sought to create an atmosphere of optimism. They encouraged a resolve amongst the community to 'stay put.' One HSBC staff member recalled that he and his colleagues had been 'keyed up' to stay on 'in the hope that something good would happen.'¹¹⁸ While the officials did not fear for the big British businessmen (it was rumoured that John Keswick had a cabin reserved on every Jardine, Matheson & Co. ship leaving Shanghai¹¹⁹), the worst affected would be the 'middle people':

... smallish men who cannot afford to send their womenfolk away now privately, whose entire fortunes are represented by their homes and jobs here, and who must hold on as long as they can get the slightest encouragement from us to do so.¹²⁰

Leaving Shanghai was not an option for the 'smallish men'. As Viscount Elibank wrote to Ernest Bevin, 'for many, probably the majority, [their] homes are the product of many years of labour and the only homes they know or expect to know.'¹²¹ Nevertheless, the Foreign Office did recognise that there were 'grave dangers' involved in leaving so many Britons 'hostage in Communist hands.'¹²²

The officials, who wanted to stay on, were talking to the 'community leaders' who in the main were representatives of the big China firms, who also wanted to stay on. 'Despite the information we have given Shanghai of developments in [Tianjin]' Pryor wrote, 'they have

¹¹⁶ TNA PREM 8/945, 'Situation in Shanghai,' 1949; Cabinet, China and South East Asia Committee, 12/5/49; TNA FO 371/75938, 'Position of British subjects in China,' Foreign Office to Nanjing, No. 140, 30/1/49; Governor Hong Kong to Ambassador Nanjing, Consul General Shanghai etc, 5/1/49; It was estimated that to house over 4,000 evacuees in Hong Kong would incur an initial cost of £1,182,735 to which would be added an additional cost of about £14,000 a day.

¹¹⁷ TNA PREM 8/945, 'Situation in Shanghai,' 1949; Prime Minister, China and South-East Asia Committee, Norman Brook memo, 'Shanghai,' 12/5/49.

¹¹⁸ HSBC 1641/039/C, The Hongkong and Shanghai Banking Corporation Oral History Archival Project, RP Moodie, p. 42.

¹¹⁹ TNA FO 371/75938, 'Position of British subjects in China,' Consul General Shanghai to Foreign Office, 7/2/49.

¹²⁰ TNA PREM 8/945, 'Situation in Shanghai,' 1949; From Consul General Shanghai to Foreign Office, 7/5/49. See also TNA FO 371/75940, Position of British subjects in China; Shanghai to Foreign Office, 15/5/49, No. 345.

¹²¹ TNA FO 371/75938, 'Position of British subjects in China,' Viscount Elibank to Ernest Bevin, Secretary of State for Foreign Affairs, Foreign Office, 30/12/48; for more on the 'smallish men' of Shanghai see Bickers, 'Shanghaianders,' pp. 161-211.

¹²² TNA PREM 8/945, 'Situation in Shanghai,' 1949; Extract, S.A.C. (49) 4th Meeting, Memorandum on Shanghai Situation by the Foreign Secretary, 13/5/49.

remained optimistic. I am afraid they are going to learn the hard way.'¹²³ Pryor's grim reports had perhaps not been given the weight they deserved; rather, they were dismissed by Urquhart because their 'exaggeratedly gloomy idea' of the situation in Tianjin was born out of 'isolation and the in-breeding of their ideas and fears.'¹²⁴

The 'Liberation' of Shanghai

In January 1949 after north China was lost to the Communists, the Guomindang leader Jiang Jieshi (蒋介石) stepped down from the presidency. He was succeeded as Acting President by Li Zongren (李宗仁). Playing for time, Li opened peace negotiations with the CCP. In April he was presented with an eight-point ultimatum which amounted to a demand for almost total surrender.¹²⁵ Li was constantly undermined by the 'retired' Jiang. As Jiang had already made the decision to retreat to Taiwan, he could not allow Li to succeed on the mainland. Over the next few months Li's attempts to make peace, and to stabilise the economic and military situations, were doomed to failure.¹²⁶

The CCP armies totalled over two million men, while the Guomindang had just over one million scattered from Urumqi to Shanghai. The best Guomindang forces had already been defeated.¹²⁷ Li refused the CCP's eight points and the dice were cast. The CCP had decided some time before to cross the Yangzi regardless of the result of the peace talks.¹²⁸ On the

¹²³ TNA FO 371/75930, British coal mining interests in China: negotiations with the communists concerning the Kailan Mining Administration, 1949, W. Pryor to E.J. Nathan, 8/7/49.

¹²⁴ TNA FO 371/75864, British commercial interests; Shanghai to Foreign Office, No. 115, 22/2/49; P.D. Coates of the Foreign Office commented 'It is greatly to be hoped that H.M.C.G. [Urquhart] is correct, but I doubt whether he is; and if he is not his consistent playing down of the dangers of the Chinese brand of Communism may be unfortunate in its effects on the British mercantile community in Shanghai' to which another commentator [signature illegible] wrote 'Yes – but we can't douse his optimism from here;' TNA FO 371/75864, British commercial interests; Minute by P.D. Coates written on 'Mentality and morale of the British Business Community in Tientsin since the occupation of the city by Communist forces' 18/3/49, see same file for quotes on 'isolation' in Shanghai Consul General to Chancery, Nanjing, No. 88, 22/2/49.

¹²⁵ Westad, *Encounters*, pp. 219-220, 238-241; Spence, Jonathan D., *The Search for Modern China* (London: Hutchinson, 1990), p. 486; the eight points were: 1. punish all war criminals. 2. abolish the invalid 1947 constitution. 3. abolish the Guomindang's legal system. 4. reorganise the Nationalist Armies. 5. confiscate all bureaucratic capital. 6. reform the land-tenure system. 7. abolish all treasonous treaties. 8. convene a full political conference.

¹²⁶ Te-kong Tong and Li Tsung-jen, *The Memoirs of Li Tsung-jen* (Boulder, Colo: Westview Press, 1979), pp. 468-548.

¹²⁷ CWIHP, Cable, Kovalev to Filippov [Stalin], 13/4/49.

¹²⁸ Zhonggong Shanghai Shiwei Dangshi Yanjiushi, Shanghai Shi Danganguan, *Jieguan Shanghai, Shang Juan, Wenxian Ziliao* [The Takeover of Shanghai, Part 1, Manuscripts and Materials] (Zhongguo Guangbo Dianshi Chubanshe [Beijing, China Radio and Television Publishing House], 1993); On 8th April 1949 the CCP Central

night of 20th April, the PLA's Second and Third Field Armies began to cross along a 500km-long front.¹²⁹

The Guomindang had ordered all boats be brought to the south bank of the river, and the river mouth was blockaded. This meant that 10,000 small boats had to be brought overland to use in the crossing. Over six weeks a mass labour force of peasants and soldiers put an estimated 21 million man-days into this task. Within twenty-four hours, the PLA had landed 300,000 troops on the southern bank. The majority met with little resistance. Nanjing, the capital, fell on the night of the 23rd April. Hangzhou, Wenzhou and Ningbo were taken in quick succession and Shanghai was encircled.¹³⁰

The PLA now slowed their advance. The delay was, in Mao's words, 'so as to stir among the inhabitants of Shanghai the hatred toward the Guomindang forces and the Guomindang Government, and at the same time prepare ourselves better for running the city.'¹³¹ They built up stocks of rice, cotton and coal, 'two whites and one black' (*liang bai yi hei*, 两白一黑), to prevent shortages.¹³² It was not simply a case of capturing the city. The CCP also needed to ensure that it came into their hands intact. General Su Yu (粟裕) later recalled that they wanted to avoid turning Shanghai into an urban battlefield so as to prevent large-scale damage to Shanghai's industry and commerce. Guomindang General Tang Enbo (汤恩伯) was allowed time to evacuate his troops via Wusong.¹³³

Shanghai Bureau had told the Shanghai underground organisation that 'no matter what the result of the peace talks, the PLA wants to cross the river immediately' (*wulun hetan jieguo ruhe, jiefangjun shi liji yao dujiang*, 无论和谈结果如何, 解放军是立即要渡江), p. 9.

¹²⁹ For a detailed account of the military manoeuvres involved in crossing the Yangzi and moving towards Shanghai see Su Yu 'da guo Chang Jiang qu, jiefang da Shanghai' [Cross the Yangzi River, Liberate Great Shanghai!], in Guo Jiafu, *Hengdu Changjiang jiefang Shanghai: jinian Shanghai jiefang wu shi nian zhuanji* [Crossing the Yangzi to Liberate Shanghai: an album commemorating 50 years since the liberation of Shanghai] (Shanghai Shi Xin Si Jun lishi cong kan she [Shanghai New Fourth Army Historical Collections Publishing Group], 1999), pp. 1-19.

¹³⁰ Speech given by Deng Xiaoping to representatives of the new Political Consultative Conference 4/8/49; 'Cong dujiang dao zhanling Shanghai' [From Crossing the Yangzi to Occupying Shanghai] in *Shanghai Jiefang*, pp. 1-6.

¹³¹ CWIHP, Cable, Kovalev to Stalin, 17/5/49.

¹³² CWIHP, Memorandum of Conversation between Anastas Mikoyan and Mao Zedong, 30/1/49; Zhou Lin 'Jieguan Shanghai Da Shiji shi' [Definite Chronology of Events in the Liberation of Shanghai] in Zhonggong Shanghai Shiwei dangshi Yanjiushi, *Jieguan Shanghai, Xia Juan, Zhuanti yu Huiyi* [The Takeover of Shanghai, Part 2, Special Topics and Reminiscences] (Zhongguo Guangbo Dianshi Chubanshe [Beijing, China Radio and Television Publishing House], 1993), p. 89.

¹³³ Su Yu, 'da guo Chang Jiang qu, jiefang da Shanghai,' pp. 12-17.

Since the turn of the year, Shanghai had been a 'city of rumours.' One rumour that must have particularly appealed to many among the foreign community was that Shanghai would be internationalised once more, just as it had been in the good old days. Though briefly mooted in the corridors of power, this idea was wholly unrealistic.¹³⁴

After the CCP troops crossed the Yangzi, the situation in Shanghai became exceedingly tense. On 23rd April the city was placed under martial law and it was flooded with unruly troops. Discipline broke down.¹³⁵ Jiang Jieshi flew briefly into the city before leaving its defence to his generals. They swore to fight to the death even as their possessions were loaded onto ships in the harbour.¹³⁶ What Randall Gould described as a 'fantastic wooden fence' was built around the city using conscripted labour, despite the obvious futility of the task.¹³⁷ The harbour and airports were crowded with people making last-minute exits. One HSBC employee recalled being telephoned one evening and told to be at the airport at 6am the next day. Forced to abandon his car and his dog, he stood all the way to Hong Kong on the crowded plane as if on a bus.¹³⁸

As the PLA approached, their number one priority was to ensure a quick and stable transfer of power in both the political and economic spheres. Dealing with foreigners was one problem among many that the CCP would face. Compared to problems such as unemployment and the suppression of counter-revolutionary elements, foreigners were not an immediate priority. Under the non-recognition policy, the CCP had now at least developed a workable system for managing contacts with foreigners on the ground. In the coming months,

¹³⁴ 'Shanghai, City of Rumours; Tales Rehashed Become Standard Jokes: Many Caused by Wishful Thinking' *The Peiping Chronicle*, 19/11/48; the idea of restoring extraterritoriality in Shanghai was actually proposed in some quarters: Fletcher 'Don't worry about the break-up of China; Better off Without Chiang Kai-shek,' *Sunday Express*, 5/3/48. Located in HSBC SHG 760.4, S/O Letters on General Subjects Between London and Shanghai, Jan-Dec 1948.

¹³⁵ For example, Metro-Goldwyn-Mayer complained to the Guomindang authorities through the US Consul that their performances were being frequently interrupted by Guomindang soldiers who barged in refusing to pay and who scared off other customers, see SMA Q127-8-244, *Songhu Jingbei Siling Bu Waishi Chu guanyu shibing qinjin Meiguo yiyuan ji zhan minfang yaoqiu Songhu Jingbei Siling Bu Waishi Chu peichang Yingguo yaoqiu fa huan chanye* [Songhu Garrison Headquarters Foreign Affairs Department regarding soldiers forcibly entering American hospital, and occupying private houses, British request for compensation from Songhu Garrison Headquarters Foreign Affairs Department and request for return of property], 21/5/49. Guomindang troops also took over the China Inland Mission compound and fired a shot to intimidate a British member of staff, see; TNA FO 371/75865, British commercial interests in China, 1949; Embassy Nanjing to Foreign Office, No. 639, 14/5/49.

¹³⁶ Wakeman, Jr., "'Cleanup': The New Order in Shanghai", pp. 26-31.

¹³⁷ Gould, 'Shanghai during the Takeover,' p. 183.

¹³⁸ HSBC 1641/037/C, Oral History, J.F. Marshall, pp. 28-31; King, *Hongkong and Shanghai Banking Corporation*, Vol.4, p. 373.

there would be a great deal of anti-imperialist rhetoric, but this was tempered in reality by practical concerns over the extent of foreign economic influence in Shanghai and its interconnectedness with the Chinese economy.

The CCP were keen to avoid any potential problems the explicit mistreatment of foreigners might bring about.¹³⁹ In order to calm the mood ahead of their arrival, the PLA disseminated an eight-point proclamation co-authored by Mao and General Zhu De (朱德). Point eight of this proclamation called for the protection of the lives and property of foreigners, as long as they obeyed the law.¹⁴⁰ Cadres were instructed to 'protect law-abiding foreigners, punish those who break the law' (*baohu shoufa waiqiao, chengban bu fa fenzi*, 保护守法外侨, 惩办不法分子).¹⁴¹ The CCP leaders were particularly worried that the 'imperialists' might paralyse Shanghai by wrecking its public utilities. They did not have their own specialists who could restore and maintain the city's infrastructure.¹⁴²

The battle for Shanghai proper began on 12th May. Seen through foreign eyes from the Bund, the battle was not an impressive one. Most of the fighting took place outside the city. By the 20th May PLA troops had both of the city's main airports surrounded. They did not meet a great deal of resistance. Even as late as 22nd May, many CCP leaders in Beijing still could not believe that Shanghai would be abandoned without a fight.¹⁴³ On the 24th May Guomindang General Tang Enbo organised a victory parade through the streets of the city which drew curious crowds. The next morning banners with slogans reading "Defeat the Communist

¹³⁹ MFA 118-00046-11, *Shanghai Shi Waiqiao Shiwu Chu liu-qi yue gongzuo baogao (fu jian shier; Shanghai Waiqiao Shiwu Chu jieguan gongzuo jianbao)* [Work report of the Shanghai Foreign Citizens Affairs Department for June-July (Appendix 12; Concise report on the takeover work of the Shanghai Foreign Citizens Affairs Department)], 1/6/49-30/11/49.

¹⁴⁰ SMA D2/0/894/6, 'Gong Jun Zongbu; baohu renmin ji waiqiao shengming caichan, xian jian zu jian xi zai xing fenpei tudi' in *Kexue Jishu Gongzuo Zhe, di san qi* [Communist Army Headquarters; Protect the lives and property of the people and of foreigners, first reduce rents and interest and later redistribute land in *The Science and Technology Worker*, Issue 3], 27/04/49; *Shenbao*, 'Jiefangjun Yuefa Ba Zhang,' [The PLA's eight provisional regulations], 26/5/49.

¹⁴¹ 'Eight point proclamation,' reprinted in Zhonggong Shanghai Shiwei Dangshi Yanjiushi, *Shanghai Shi Danganguan, Jieguan Shanghai, shang juan, wenxian ziliao* [The Takeover of Shanghai, Part 1, Manuscripts and Materials] (Beijing: Zhongguo Guangbo Dianshi Chubanshe [China Radio and Television Publishing House], 1993), pp. 14-16; He Zhijian, Wang Houkang, *Shanghai Waishi Sishi Nian; 1949.5 - 1989.5* [Forty Years of Foreign Affairs in Shanghai] (*Gong neibu yuedu* (for internal distribution only), 1990), p. 4.

¹⁴² CWIHP, Cable, Kovalev to Filippov [Stalin], 13/4/49; CWIHP, Memorandum of Conversation between Anastas Mikoyan and Mao Zedong, 31/1/49.

¹⁴³ CWIHP, Cable, Kovalev to Stalin, Report on the 22 May CCP CC Politburo Discussion, 23/5/49.

bandits!" still hung, but it was PLA troops that marched beneath them.¹⁴⁴ The Shanghai campaign had lasted half as long as initially expected.¹⁴⁵

The majority of foreigners in China never thought much of Chinese soldiers and there was a tendency to portray all Chinese wars with a degree of ridicule. The feeling among foreign residents, as encapsulated in Noel Barber's *The Fall of Shanghai*, was that no one could pretend that this was 'in any sense a real battle.'¹⁴⁶ This was not in fact a farcical war of intrigue and posturing: it was a bloody and violent struggle. It was part of a war with a death toll in the millions that came on the back of decades of international and domestic conflict.¹⁴⁷ CCP leader Deng Xiaoping estimated that in the week-long battle for Shanghai the Communists killed or captured 400,000 Guomintang troops, whilst 17,000 CCP soldiers were wounded or killed.¹⁴⁸

HSBC employee R.P. Moodie remembered hearing a strange 'pitter pat, pitter pat,' outside his house on Bubbling Well Road in the early morning on the 25th May. Peeking out of the window he saw Communist troops in the street below. The next day he stayed indoors, but the day after, he went out. '[T]he strangest thing' he recalled, 'was whereas before all the roads were covered with Nationalist flags, this time they were all Communist flags.' The day after that, Moodie met his first Communist. To his surprise, the former HSBC office boy 'came in with his hat on and practically told me he'd taken over!'¹⁴⁹

The CCP's orderly takeover of the city stood in stark contrast to the Guomintang's takeover of the city from the Japanese in 1945. Guomintang officials from the highest ranks to the lowest cadres had taken anything they could get their hands on. Factories which had been closed temporarily had remained closed for months, rendering thousands unemployed.¹⁵⁰ The CCP wished to avoid these kinds of mistakes. Key to the CCP's orderly takeover was not only their cautious approach, but also the discipline instilled in individual PLA soldiers. In

¹⁴⁴ Gould, 'Shanghai during the Takeover,' p. 183; Westad, *Decisive Encounters*, pp. 248-50.

¹⁴⁵ Deng Xiaoping 'Cong dujiang dao zhanling Shanghai,' pp. 1-6.

¹⁴⁶ Barber, *The Fall of Shanghai*, pp. 144-7, 152.

¹⁴⁷ Mao estimated five and a half million enemy casualties, CWIHP, Cable, Mao Zedong [via Kovalev] to Stalin, 14/6/49; Westad suggests a more likely figure of between one and two million combatants killed on both sides. See Westad, *Decisive Encounters*, p. 282.

¹⁴⁸ Deng Xiaoping 'Cong dujiang dao zhanling Shanghai,' pp. 1-6.

¹⁴⁹ HSBC 1641/039/C, Oral History, R.P. Moodie, pp. 41-2; King, *Hongkong and Shanghai Banking Corporation*, Vol.4, p. 374.

¹⁵⁰ Bergère, *Shanghai*, p. 325.

preparation for the seizure of Shanghai, the Political Bureau of the Third Field Army produced a document called *Chengshi Changshi* (General Knowledge about Cities, 城市常识), which was used to teach their peasant soldiers and cadres how to behave.¹⁵¹ The guide suggested that many of the soldiers lacked even the basic knowledge needed to function in the cities, such as where to find somewhere to eat or to use a toilet. There was also genuine concern for their safety: they could easily be run over or electrocuted.¹⁵² In the guide, Shanghai was portrayed as an unruly place full of ‘hoodlums’ (*liumang*, 流氓), thieves and drug dealers; the products of a corrupt capitalist society.¹⁵³ Cadres were warned that Guomindang agents manipulated the dark underground world of brothels, gambling houses and drug dens.¹⁵⁴ Reported lapses in discipline involving cadres and dancing girls in Nanjing made it even more important for the proper ‘spirit’ (*jingshen*, 精神) and discipline to be instilled before the takeover of Shanghai.¹⁵⁵ Despite the many evils of the urban environment, however, the soldiers were encouraged in *Chengshi Changshi* to give urban China a chance. Cities were the home of the workers and the industry that would make ‘New China’ strong, the guide said: ‘the new atmosphere in the cities will be established later and the cities gradually transformed’ (*xin de chengshi fengqing yao yihou manman lai gaizao he shuli*, 新的城市风情要以后慢慢来改造和树立).¹⁵⁶

Only cadres working in the Foreign Affairs or Public Security organs were to be allowed to engage in any form of interaction with the foreigners.¹⁵⁷ Writing in July, the Political Bureau of the Ninth Army reported around twenty incidents of contact between foreigners and soldiers during the takeover. One such reported incident had taken place on a wet street corner. A young sentry was sheltering from the rain when he was approached by two French ladies who offered him an old overcoat to keep him dry. The young soldier, who had been warned not to communicate with foreigners, repeatedly refused their offer. The ladies persisted and eventually the soldier spoke out in frustration before walking away out into the

¹⁵¹ Political Bureau of the Third Field Army of the Chinese PLA *Chengshi changshi* [General Knowledge about Cities], March 1949, in *Shanghai Jiefang*, pp. 197-214.

¹⁵² *Chengshi changshi*, pp. 197-8.

¹⁵³ ‘*Shanghai gaikuang*’ [Shanghai Outline] in *Shanghai jiefang*, pp. 12-13.

¹⁵⁴ *Chengshi changshi*, pp. 209-12.

¹⁵⁵ SMA A4-1-1, *Zhonggong Shanghai Shi Zhengce Yanjiu Shi guanyu Chengshi jieguan gongzuo de jingyan baogao* [CCP Shanghai Policy Research Office, Report on the Experience of Taking over the Cities], 26/6/49.

¹⁵⁶ *Chengshi Changshi*, pp. 209-214.

¹⁵⁷ ‘*Huadong Ju guanyu Waijiao jilü de qi xiang guiding*’ [East China Bureau Seven Regulations on Foreign Affairs Discipline], in *Jieguan Shanghai*, pp. 18-9; Liu, *Zhongguo Gongchandang*, pp. 301-302; Gao, *Hangzhou*, pp. 71-2.

rain storm saying 'we PLA soldiers can endure hardship!' (*women Renmin Jiefang Jun shi yiguan neng chi ku de*, 我人民解放军是一贯能吃苦的). The fact that the ladies were identified as being French here hints at the allegorical nature of CCP reports. Reports were often embellished to portray what the writers considered to be wider truths. It is unlikely that a PLA sentry would have known what language the foreigners were speaking (if they even existed at all).¹⁵⁸

It was reported that scenes like this repeated themselves throughout the city. Foreigners offered gifts of cigarettes, food and tea. Most offers were turned down, just as they would have been had they been made by Chinese residents. This was to demonstrate the discipline, frugality and incorruptibility of the PLA. The soldiers sang as they marched: 'revolutionary soldiers should all remember the three great disciplines and eight points of attention' (*Geming junren gege yao laoji, san da jilü ba xiang zhuyi*, 革命军人个个要牢记, 三大纪律八项注意).¹⁵⁹ The Political Bureau concluded that as it was impossible to tell from appearances who was an 'imperialist' and who was simply acting out of altruism (*shanyi de chengxin*, 善意的诚心), the Communists should be constantly on guard:

... before the influence of imperialism has been completely expelled from China, the imperialists and spies in China will constantly test us, in order to understand us and destroy us[.] We should increase our vigilance, we should not be seduced or bewitched by them, when we have abandoned the armed struggle in our thinking we must study this new kind of struggle.¹⁶⁰

The foreigners' first sight of the PLA and the CCP was a little misleading. They got the impression that the CCP were all peasant soldiers, young, naïve and rustic. This assumption carried with it judgements both positive (as to their simplicity and straightforwardness) and negative (regarding their intelligence and abilities). While the majority of the soldiers and

¹⁵⁸ MFA 118-00046-01, *Shanghai Shi Waiqiao Shiwu Chu Liu-qi yue gongzuo baogao (fu jian shi; Di Jiu Bingtuan Zhengzhi Bu waishi gongzuo baogao, 7 yue 15 ri)* [Work report of the Shanghai Foreign Citizens Affairs Department for June-July (Appendix 10; Work report on foreign affairs work of the Political Bureau of the Ninth Army Group, 7th July)], 1/6/49-30/11/49.

¹⁵⁹ Wan Zhongyuan, 'Ru cheng yihou' [After Entering the City], in Guo Jiafu, *Hengdu Changjiang jiefang Shanghai*, pp. 159-163.

¹⁶⁰ MFA 118-00046-01, *gongzuo baogao (fu jian shi)*; 'Before the influence...' (*Diguo zhuyi de sheli wei wanchuan bei quzhu Zhongguo yiqian, qi zai Zhongguo de diguo zhuyi fenzi ji tewu fenzi shishi de zai shitan women, yao liaojie women, pohuai women, women yao tigao jingti, bu shou yinyou guhuo sixiang shang jiechu le wuzhang, yao xuexi zhe zhong xin de douzheng*, 帝国主义的势力未完全被驱逐中国以前, 其在中国的帝国主义分子及特务分子时时的在试探我们, 要了解我们, 破坏我们, 我们要提高警惕, 不受其引诱蛊惑, 思想上解除了武装, 要学习这种新的斗争).

low level cadres were indeed from rural origins, they were not going to be running the cities. It should be noted here, however, that the awkward juxtaposition of the rural CCP in urban Shanghai has perhaps been overemphasised as a trope in both contemporary and historical accounts. This was a city full of rural-to-urban migrants: these were not the first peasants to arrive in Shanghai.

The CCP's administrative elite were mainly middle class and educated, with plenty of experience of living in cities. In Beijing there were economic specialists like Liu Shaoqi, Bo Yibo and Chen Yun in charge. There were also foreign affairs specialists like Zhou Enlai, Wang Bingnan (王炳南), Zhang Wentian (张闻天) and Huan Xiang (宦乡), to name but a few. Even Mao had lived in Shanghai for a short time.¹⁶¹ On the regional and municipal levels, the head of the East China Bureau Rao Shushi (饶漱石), Mayor Chen Yi and Vice Mayor Pan Hannian (潘汉年) had all studied abroad and were all very familiar with Shanghai.¹⁶² Within the Shanghai Foreign Affairs Department there were Zhang Hanfu, Xu Yongying and Yu Peiwen (俞沛文), among others. All had lived in Shanghai for long periods and had studied in the USA.¹⁶³

The Shanghai Foreign Affairs Department and the takeover of Shanghai

The Shanghai FAD cadres were tasked with managing all contact with foreigners in Shanghai, from issuing entrance and exit permits to corresponding on matters as diverse as industrial disputes, real estate issues and the closure of businesses. It is useful, then, to consider briefly who the members of this department were, how they approached the foreign-influenced city, and how they took over from the Guomindang foreign affairs apparatus. How were they organised, and how did they establish their authority?

The staff travelled from Beijing and Tianjin by train. After only a brief rest in Nanjing, they arrived at Danyang (丹阳). Danyang was the staging point from which the takeover of Shanghai would be launched. Here, they were given their final briefings along with the other cadres involved in taking over the city.¹⁶⁴ Proper preparation was considered essential. Too

¹⁶¹ Edgar Snow, *Red Star Over China* (New York: Grove Press, 1968), pp. 158-9.

¹⁶² MFA 118-00046-11, *gongzuo baogao* (Appendix 12).

¹⁶³ He, *Gongheguo di yi pi waijiaoguan*.

¹⁶⁴ *Zhang Hanfu zhuan*, pp. 115.

much haste and a lack of preparation had led to severe difficulties when taking over the city of Wuxi (126km northwest of Shanghai) in April. There had been problems in solving disputes between workers and management, introducing the CCP's currency and ensuring the city's electricity supply, all of which had negatively affected the city's economy and had cost the CCP dearly in terms of prestige.¹⁶⁵

On 12th May, the head of the Third Field Army and future mayor of Shanghai, Chen Yi, gave a speech at the Da Wang temple (*Da Wang miao*, 大王庙) to several hundred cadres. He talked for four hours on the policies to be followed during the takeover. Discipline was crucial and, Chen said, not even 'the King of Heaven' (*Tianwang Laozi*, 天王老子) would be allowed to offend. He also stressed to all personnel the importance of upholding the 'non-recognition' policy. While they waited for the order to move towards Shanghai, the future staff of the FAD spent twenty days studying politics, urban policy, economics and Shanghai's history, as well as having language training. At points, they even took it in turns to pretend to be foreigners in order to practice procedures for dealing with them.¹⁶⁶

At Danyang the cadres studied a document entitled *Shanghai gaikuang* (Shanghai Outline, 上海概况), which had been prepared by the East China Bureau with materials sent from Shanghai by underground activists.¹⁶⁷ The outline not only had statistics detailing the number, nationalities and occupations of foreigners but also long lists of addresses of foreign enterprises, their managers' names and so on. Studying this document and other materials like it meant that the CCP were reasonably well informed as to what they would find when they entered the city.¹⁶⁸ *Shanghai gaikuang* posed three main questions regarding foreigners that would have to be answered in the coming months; firstly, 'how should we manage foreigners and deal with the foreign population?' Secondly, 'how should we manage and supervise foreign companies?' And finally, 'how should we deal with foreign real estate?'¹⁶⁹

¹⁶⁵ SMA A4-1-1, *Chengshi jieguan gongzuo de jingyan baogao*, 26/6/49.

¹⁶⁶ Zhang Hanfu zhuan, pp. 115-118.

¹⁶⁷ *Shanghai gaikuang*, pp. 3-25; Zhou Lin, 'Jieguan Shanghai de riri yeye,' *Chengshi jieguan qinli ji*, pp. 543-4.

¹⁶⁸ SMA Y15/1/201/593, *Shanghai gaikuang; xia bian, waiqiao* [Shanghai Outline, Part Two, Foreigners], 04/49; SMA Y7/1/34, *Shanghai waiqiao ji shilingguan, lianheguo, Mei jun zhu Hu ge jigou (Shanghai diaocha ziliao Waiqiao bian zhiyi)* [Shanghai Foreigners and Organisations in Shanghai, Consulates, United Nations, American Military], March 1949.

¹⁶⁹ *Shanghai gaikuang*, pp. 15-16.

Vice-Secretary to the Shanghai Military Control Committee Zhou Lin (周林) also made a speech on urban policy at Danyang. He told the cadres that 'it is impossible for us to immediately purge all the bad things' (*women ye bu keneng ba suoyou huai xianxiang yixia suqing*, 我们也不可能把所有坏现象一下肃清). So the Party's urban policy had to be one of moderation. They had to 'struggle for the position of advantage, and avoid being manipulated' (*zhengqu zhudong, bimian beidong*, 争取主动, 避免被动). Specifically, he went on, all of Shanghai's six large public utility companies (electricity, water, trams, gas, buses and telephones) were currently in the hands of the 'imperialists.' It was therefore impossible to fight a 'war of annihilation' (*jianmie zhan*, 歼灭战) without causing economic chaos and ultimately being defeated. Instead they would have employ 'guerrilla warfare' (*youji zhan*, 游击战) against the enemy, 'annihilating him step by step' (*yibu yibu de xiaomie ta*, 一步一步的消灭他). He concluded:

Our policy towards imperialism is firm, thorough, but this is certainly not enough. But only if it is also progressive, planned and suited to reality, can we arrive at complete sovereignty. We should oppose blind xenophobia.¹⁷⁰

On the night of the 24th May, the FAD cadres were ordered to Danyang train station.¹⁷¹ By noon the next day, they had arrived at Shanghai's western suburbs, where they rested for a few hours. That evening, they boarded buses which had been borrowed from a public transport company by the underground Party.¹⁷² As the Communist troops and cadres marched into the city centre, they were met by some sixty thousand militia: the 'People's Peace Preservation Corps' (*Renmin Baoandui*, 人民保安队). The militia had been established in factories, schools and government organs to prevent wrecking or looting.¹⁷³ The CCP's

¹⁷⁰ Chen Yi, Zhou Lin *guanyu ru cheng hou ge fangmian zhengce wenti de fayan jilu gao* [Minutes of speeches by Chen Yi and Zhou Lin regarding certain policy issues], 10-11/5/49, *Shanghai Jiefang*, pp. 259-268; 'Our policy...' (*dui diyi de zhengce shi jianjue de, chedi de, zhe shi queding bugou de. Danshi shi zhubu, you jihua de yu fuhe shishi de, zhe yang cai neng da dao zhuquan de wanzheng. Yao fandui mangmu de paiwai*, 对帝义的政策是坚决的, 彻底的, 这是确定不够的。但是是有逐步, 有计划的与符合事实的, 这样才能达到主权的完整。要反对盲目的排外). Also see Zhou Lin's account of the period in Danyang and the takeover of Shanghai in Zhou Lin 'Jieguan Shanghai da shiji shi,' pp. 78-90.

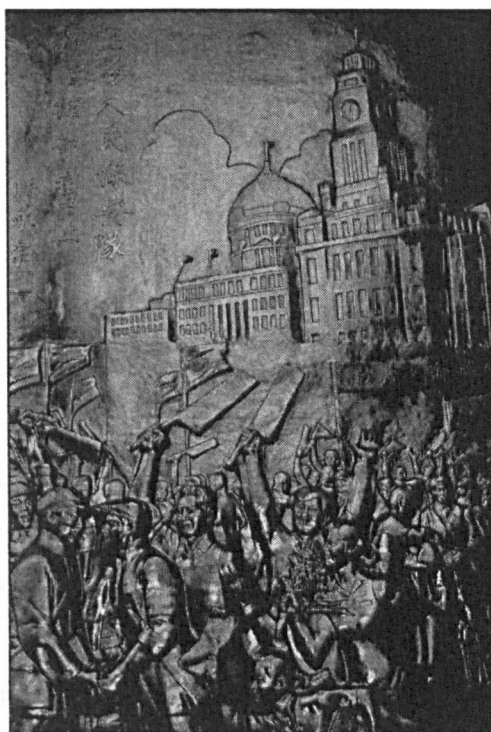
¹⁷¹ Zhang Hanfu *zhuan*, p. 119.

¹⁷² 'Liu Xiao guanyu jieguan Shanghai zhunbei gongzuo zhi Liu Changsheng dian' [Telegram from Liu Xiao to Liu Changsheng regarding tasks in preparation for the takeover of Shanghai], 2/5/49, *Jieguan Shanghai*, pp. 19-20; For an account of the CCP underground Party and Shanghai's police see Wakeman, "Cleanup," pp. 30-31.

¹⁷³ SMA A4/1/1, *Zhonggong Shanghai Shi Zhengce Yanjiu Shi guanyu Chengshi jieguan gongzuo de jingyan baogao* [CCP Shanghai Municipal Policy Research Office Report on Experience of Taking Over Cities], 26/6/49; *Shenbao*, 'Shanghai Renmin Tuanti Lianhehui, Renmin Baoan Dui Zongbu An Min Bugao,' [Shanghai United Association of Peoples Groups, Peace Preservation Group Headquarters Announcement to Calm the

underground activists had positioned themselves to secure the safe handover of Shanghai's important executive, administrative and commercial organs.¹⁷⁴ Their activities included hanging an enormous portrait of Mao outside the Great World entertainment complex in the former French Concession.¹⁷⁵ Somewhat ironically, the underground Party were based in the tower of the Shanghai Customs House. This building was perhaps the most iconic building on Shanghai's famous Bund, the symbolic centre of foreign economic and political influence in China.

Figure 5: Photograph of bronze plaque on the front of Customs House, Shanghai



The People's Peace Preservation Corps and the masses celebrate the arrival of the PLA in front of the Customs House (right) and the HSBC building.

People], 26/5/49; for more on the workers militias and their role in the following years see Elizabeth J. Perry, 'Masters of the Country? Shanghai Workers in the Early People's Republic,' in Brown and Pickowicz (eds.), *Dilemmas of Victory*, pp. 69-79.

¹⁷⁴ 'Liu Xiao guanyu jieguan Shanghai zhunbei gongzuo zhi Liu Changsheng dian' [Telegram from Liu Xiao to Liu Changsheng regarding tasks in preparation for the takeover of Shanghai], 2/5/49, *Jieguan Shanghai*, pp. 19-20; For an account of the CCP underground Party and Shanghai's police see Wakeman, 'Cleanup,' pp. 30-31.

¹⁷⁵ A photograph of this picture being raised into position can be seen *Shenbao*, 'Jiefangjun Yuefa Ba Zhang,' [The PLA's Eight Provisional Regulations], 26/5/49.

The FAD cadres stayed the night of the 24th May at Shanghai Jiaotong University. The next morning, they were driven into the city centre. Along the route, they were welcomed by groups of citizens, some of whom were organised by the underground Party and some of whom had gathered spontaneously.¹⁷⁶

On the 28th May, Shanghai was formally transferred to CCP rule. Chen Yi took over from the Acting Mayor Zhao Zukang (赵祖康).¹⁷⁷ Zhao had previously been the head of the Bureau of Public Works, but he had become Acting Mayor when the former mayor had fled to Taiwan. Zhao had neither the money nor the connections to go anywhere else.¹⁷⁸ The CCP praised him publically for maintaining order after the withdrawal of Guomindang troops and for ensuring a stable handover. He was kept on in a high position by the CCP because he had valuable skills and experience. By retaining him in place, a message was sent to Shanghai's administrative and business elites: the CCP wanted cooperation and unity. They would preserve the status quo.¹⁷⁹

The threat of instability and disorder was not a false one. A few days later on 2nd June, the withdrawal of Guomindang troops from Qingdao in Shandong province had led to a day of looting before the CCP forces arrived and restored order. Three hundred armed firemen had tried and failed to keep 200,000 homeless refugees in order. The refugees had pillaged government buildings as soon as the officials had evacuated them. They looted warehouses and cut down trees for firewood.¹⁸⁰

At the handing-over ceremony, the new mayor Chen Yi chose to focus on a theme behind which all Chinese residents of the city could unite, saying:

Over the past one hundred years Shanghai has the most intractable fortress of imperialism's aggression towards and enslavement of the Chinese people. The liberation of Shanghai has bankrupted the aggressive influence of imperialism in China, this is a revolutionary victory which

¹⁷⁶ Zhang Hanfu zhuan, pp. 119-122.

¹⁷⁷ Wakeman "Cleanup," p. 31.

¹⁷⁸ Zhao Zukang, 'Huiyi Shanghai jiefang qianhou wo de qinshen jingli,' [Remembering my personal experience of Shanghai before and after Liberation] in *Chengshi jieguan qinli ji*, pp. 526-7; see also Zhao Zukang, 'Xin sheng qianhou' [Before and after my new life], in Shanghai Zhanyi Weiyuanhui, *Shanghai zhanyi* [The Shanghai Campaign] (Xuexiao Chubanshe [Schools Publishing House], 1988), pp. 241-247.

¹⁷⁹ Zhou Lin, 'Jieguan Shanghai de riri yeye,' *Chengshi jieguan qinli ji*, pp. 542-60.

¹⁸⁰ NARA RG59, Box 4194, 793.00/2-1350, American Consulate General Qingdao, No. 23; Political report governing the period 31 May to 30 June 1949, 13/7/49.

has turned the world on its head (*tianfandifu de geming shengli*, 天翻地覆的胜利). Today Shanghai has already become the People's city, towering in front of the world.¹⁸¹

Figure 6: PLA troops enter Shanghai, May 1949



In Shanghai, as in all cities with populations of over 50,000, the CCP's first priority was to establish a Military Control Committee (*Junshi Guanzhi Weiyuanhui*, 军事管制委员会) under the leadership of Chen Yi. The Committee was immediately under the supervision of the CCP's East China Bureau and the CCP Shanghai Municipal Committee. The latter two organisations were, in effect, one body, with Rao Shushi as head and Chen Yi and Liu Xiao (刘晓) (the pre-takeover head of the CCP in Shanghai) as vice heads. The Control

¹⁸¹ Zhang Hanfu zhuan, pp. 119-122; 'Over the past...' (*Shanghai shi bai nian lai diguozhuyi qinlüe yu nuyi Zhongguo ren zu'ai wanqiang de baolei, Shanghai de jiefang, shi diguozhuyi zai Hua qinlüe shili de pochan, shi tianfandifu de geming shengli, Shanghai jintian yi chengwei renmin de chengshi, yili zai shijie shang*, 上海是百年来帝国主义侵略与奴役中国人民阻碍顽强的堡垒。上海的解放，是帝国主义在华侵略势力的破产，是天翻地覆的革命胜利。上海今天已成为人民的城市，屹立在世界上).

Committee's first job was to restore order. Urgent or temporary policies were announced as Control Committee orders, while long-term policies were the purview of the civilian Shanghai People's Government. The civilian government was formally established on the 28th May but it did not actually take over from the Control Committee until late July. It was made up of more or less the same personnel. In the short term, the Military Control Committee's aims were not to institute revolutionary change and to awaken the masses, but to secure public order, ensure the continued operation of the city's public utilities, curb inflation and make immediate improvements to living conditions with a focus on hygiene.¹⁸²

The Shanghai FAD was established on the 28th May. On the 30th a small group was sent to take over the property and archives of the Guomindang's Ministry of Foreign Affairs Shanghai branch office and the Guomindang's Shanghai FAD.¹⁸³ The FAD was originally based at 185 Yuanmingyuan Road, but it moved in August 1949 to Broadway Mansions, an enormous art-deco building which sat at the northern end of the Bund across the Suzhou River. In May 1951, the building's name was changed to the less bourgeois 'Shanghai Mansions'.¹⁸⁴ Within the new department, Zhang Hanfu was in charge of policy and planning, while his deputy Xu Yongying was in charge of day-to-day tasks.¹⁸⁵

The CCP's priority was to reorganise the Guomindang's government institutions.¹⁸⁶ Compared to other departments, the task of taking over the old foreign affairs organs was relatively easy: there were only two 'work units' (*danwei*, 单位) to be taken over with a total of 36 staff. In contrast, the Hygiene Department had to take over seventy work units with 8,539 staff, and the Public Security Bureau 108 with 14,311 staff. Across the city 17,600 CCP cadres took over 1,397 work units with a grand total of 49,000 administrative staff.¹⁸⁷

¹⁸² *Huadong Ju guanyu jieguan Jiangnan chengshi de zhishi* [East China Bureau Instructions on taking over cities south of the Yangzi River], 1/4/49, *Shanghai jiefang*, pp. 224-230.

¹⁸³ *Zhang Hanfu zhuan*, p. 123; Zhou *et al.*, *Shanghai waishi zhi*, p. 48.

¹⁸⁴ *Zhang Hanfu zhuan*, p. 129.

¹⁸⁵ MFA 118-00046-12, *Shanghai Shi Waiqiao Shiwu Chu ba-jiu yue gongzuo baogao* [Work report of the Shanghai Foreign Citizens Affairs Department for August-September], 21/9/49.

¹⁸⁶ Liu Shaoqi, 'Concerning Urban Work,' see Gao, *Hangzhou*, pp. 80-86 for an account of this process in Hangzhou.

¹⁸⁷ *Shanghai Shi Junguanhui jieguan ge wei danwei ren yuan tongji* [Statistics of bogus work units and personnel taken over by the Shanghai Military Control Commission], 30/5/49-30/6/49, *Shanghai Jiefang*, pp. 314-16; on p. 314 the number of 'old staff' is cited as 243,820, on p. 293 the number is 49,000; The first figure includes large numbers of military personnel and workers. It is probable that the 49,000 number refers only to administrative personnel; See also SMA A4-2-1, *Zhonggong Shanghai Shi Zhengce Yanjiu Shi guanyu Shanghai Shi Junguanhui jieguan chuqi tongji* [CCP Shanghai Research Office regarding Shanghai Military Control Committee Statistics on Early Period of Takeover], 30/5/49-30/6/49.

The task of taking over the Guomindang organs, reported the Municipal People's Government, was like taking over the government of a country.¹⁸⁸

In many areas, administrators and technicians were maintained in their roles so as not to disrupt city life. Despite this, the CCP's main policy towards former staff members of Guomindang organisations was to 'disband' (*jiesan*, 解散) them while providing them with short-term relief and food so as to avoid disorder. After 'training' (*xunlian*, 训练) the majority were allocated to other work, or paid off, while a few essential staff were returned to their original organisations. The former police were kept on temporarily to maintain order.¹⁸⁹ Bo Yibo later suggested that it had been wrong to immediately pay off 27,000 old staff in Shanghai, as this had caused 'fluctuations' (*bodong*, 波动). Mao also later said that spending so much on payoffs had been a policy mistake.¹⁹⁰

As the FAD was a 'newly established organ' (*xin chengli jiguan*, 新成立机关), fewer 'old staff' were retained. As a result, the incoming cadres had to learn on the job.¹⁹¹ The takeover was more or less complete by 30th June. All except for two or three of the old staff were willing to attend a month of re-education classes, but after completing this period of 'study', only eight were selected to be kept on. The others were given a small pay-off. The CCP saw Foreign Affairs work as being particularly sensitive. Political reliability was essential and the majority of the old staff were not to be trusted. Those that were retained all had valuable skills.¹⁹² The FAD later reported that the takeover had been relatively smooth if a little 'disjointed' (*tuojie*, 脱节).¹⁹³

In its first incarnation the department consisted of 61 cadres, making it much smaller than most other departments.¹⁹⁴ Under the leadership of Zhang Hanfu and Xu Yongying was a

¹⁸⁸ *Shanghai Shi Renmin Zhengfu jieguan gongzuo di yi ge yue zonghe baogao* [Comprehensive report on the first month's takeover work by the Shanghai Municipal People's Government], July 1949, *Shanghai jiefang*, pp. 292-4.

¹⁸⁹ Wakeman, "Cleanup," pp. 37-42.

¹⁹⁰ Bo, *Ruogan*, p. 15.

¹⁹¹ SMA B24/2/6, *Shanghai Shi Bianzhi Weiyuanhui guanyu shifu zhishu bumen zuzhi guicheng, jigou bianzhi yijian fangan deng wenjian* [Shanghai Municipality Reorganisation Committee planning documents regarding regulations on restructuring of the organisation of Bureaux subordinate to the Municipal Government], January - December, 1950.

¹⁹² MFA 118-00046-11, *gongzuo baogao* (Appendix 12).

¹⁹³ SMA B1/2/3658, *gongzuo zongjie*.

¹⁹⁴ SMA B23/2/42, *Shanghai Shi Renmin Zhengfu Waiqiao Shiwu Chu tianbao de xianzhi ren yuan hua mingce* [Register recording names of those currently employed in Shanghai People's Government Foreign Citizens']

small secretariat run by former underground cadre Yu Peiwen. None of the FAD's leadership were originally from Shanghai, but between them they had spent a great deal of time there. Unlike other branches of the new administration, which had been stocked with recently trained (and quite poorly educated) cadres from Shandong Province, the relatively specialised work of the FAD drew educated cadres from diverse backgrounds.¹⁹⁵ Two non-Party advisors were appointed, Zheng Kangqi (郑康祺) and Xiao Jirong (萧继荣), who had both been employed by the Guomindang foreign affairs organs. Zheng left in 1950 to work for Shell, but Xiao continued in the department until 1958.¹⁹⁶ Zheng was later described as a 'useful informant' by the American Consulate.¹⁹⁷

The majority of the FAD cadres who had arrived with Zhang Hanfu had been students at North China Associated University's Foreign Language Department (*Huabei Lianda Waiyu xi*, 华北联大外语系), cadres in the Beijing or Tianjin foreign affairs departments, or former staff members of *Zhongguo Wengao* (*Chinese Articles*, 中国文稿), a CCP publication in Hong Kong. They also included some former Peking University students who had fled to the 'Liberated Areas.' Approximately one third of the FAD's cadres were former Shanghai underground Party members. These cadres tended to be a few years older than the northern cadres and they assumed more important positions.¹⁹⁸

Instilling cadres from such different backgrounds with a unity of purpose was a difficult task. The perfect FAD cadre would have high political consciousness, experience of foreign affairs work and experience of being in big cities. Perfect cadres were rare.¹⁹⁹ Those from the 'Liberated Areas' were seen to have a very high level of political awareness, but they were severely lacking in experience of foreign affairs; those from Beijing and Tianjin had the opposite problem. Underground cadres were experienced city-dwellers, but they displayed

Affairs Bureau], 1949; The origins, age and gender of certain cadres are not recorded in this source so the figures given only include those people for whom detailed information was available.

¹⁹⁵ See James Gao's excellent account of the training of the Luzhongnan Southbound cadres in Gao, *Hangzhou*, pp. 42-64; 4,430 Luzhongnan cadres were allocated by the East China Bureau for the takeover of Shanghai, Zhejiang and Fujian.

¹⁹⁶ SMA B23/2/33/50, *Shanghai Shi Renmin Zhengfu guanyu renming Xiao Jirong, Zheng Kangqi ren Waiqiao Shiwu Chu guwen de wenjian* [Document from Shanghai People's Government appointing Xiao Jirong and Zheng Kangqi as advisors to the Shanghai Foreign Citizens Affairs Bureau], 10/9/49; SMA B24-2-6, *guanyu Shifu zhishu bumen zuzhi guicheng*.

¹⁹⁷ NARA RG 59, Box 4198, 793.00/5-531, Hong Kong to Secretary of State, No. 3285, 5/5/51; SMA B23-2-42, *xianzhi renyuan*.

¹⁹⁸ *Zhang Hanfu zhuan*, p. 123.

¹⁹⁹ MFA 118-00046-11, *gongzuo baogao* (Appendix 12).

bourgeois tendencies and were potentially politically unreliable. Regardless of their various origins, the cadres universally lacked skills and experience in administration. They would have to learn on the job. One particular area of concern was that the foreign language capability of even the best staff was not sufficient. Zhang stressed the importance of improving their abilities, especially in English.²⁰⁰

In the view of the leadership, having the correct political standpoint was the most important characteristic for a FAD worker. The picture that emerges is of a department stocked with an enthusiastic, but poorly trained, group of cadres. With limited skills and resources it would be tough for them to carry out their work effectively. This problem was partially avoided, however, as the CCP developed a highly centralised system of decision-making. The practice of 'requesting instructions and making reports' (*qingshi baogao*, 请示报告) before and after taking any action meant that it was difficult for low-level cadres to commit too many mistakes.²⁰¹

The first task the cadres were given was to study Zhou Enlai's 'Directive on Foreign Affairs Work.'²⁰² Their most important task in Shanghai was to sort the 'imperialists' from the 'legitimate' foreigners and to 'eliminate' (*qudiao*, 去掉) the former.²⁰³ This was to be done on the basis of the CCP's principle of '*you li, you li, you jie*' (有理, 有利, 有节) which meant 'on just grounds,' 'to our advantage' and 'with restraint.' This policy dated back to the days of the Anti-Japanese united front.²⁰⁴ The question of attitude was all important, the FAD reported to Beijing; it was important to 'not to make anti-imperialism degenerate into xenophobia (*liu yu paiwai*, 流于排外) and the protection of legitimate undertakings not to sink into pandering to foreigners' (*xian yu meiwai*, 陷于媚外):²⁰⁵

Our strategy is to expose and strike at all imperialist aggression and espionage, to resolutely uphold our sovereignty, to appropriately make use of foreign economic activities which are advantageous to us and which do not infringe upon our sovereignty[.] Moreover we will protect

²⁰⁰ Zhang Hanfu zhuan, pp.123-4; Liu, *Zhongguo Gongchandang*, pp. 298-9.

²⁰¹ MFA 118-00046-01, *gongzuo baogao*.

²⁰² Zhang Hanfu zhuan, pp.123-4; Liu, *Zhongguo Gongchandang*, pp. 298-9; Westad, *Decisive Encounters*, p. 252.

²⁰³ SMA B1/2/3658, *gongzuo zongjie*.

²⁰⁴ Zedong, Mao, 'Current Problems of Tactics in the Anti-Japanese United Front,' 11/3/40 in *Selected Works*, Vol. 2, pp. 421-30.

²⁰⁵ SMA B1/2/3658, *gongzuo zongjie*.

the lives and property of law-abiding foreigners, punish those who break the law and to be lenient towards those who express regret.²⁰⁶

According to Wang Bingnan, the head of the General Office of the Ministry of Foreign Affairs, in a speech delivered in June 1950, at the time of the takeover of the major cities ‘the greatest worry of the responsible comrades in every city was chaos in their foreign affairs work’ (*na shi mei ge chengshi de fuze tongzhi zui danxin zai Waijiao gongzuo shang chu luanzi*, 那时每个城市的负责同志最担心在外交工作上出乱子). This was why, Wang continued, Zhou Enlai had come up with the easily memorised ‘six rules and seven points of attention.’ These rules were mainly directed towards cadres going abroad, but they also applied to those working domestically. Under the six rules, the cadres were encouraged to discard their ‘feelings of inferiority,’ (*zibeigan*, 自卑感) and ‘inappropriate modesty’ (*bu shidang de qianxu*, 不适当的谦虚).²⁰⁷ Discipline had to be strict, wrote Wang: ‘even a small amount of liberalism will invite defeat’ (*you yidian ziyou zhuyi dou shi yao dabao zhang de*, 有一点自由主义都是要打败仗的). All meetings, reports and even personal communications had to be approved and reported on. The ‘seven points’ were designed to keep the cadres honest: they were to live plainly, dress smartly and avoid alcohol. They should ‘listen and observe a lot, speak seldom’ (*duo ting, duo kan, shao shuo hua*, 多听多看少说话).²⁰⁸ On this theme the FAD also stressed the importance of doing away with the ‘shameful performance of slave like countenance and fawning’ (*nu yan bei xi choutai*, 奴颜卑膝丑态) of the old regime towards foreigners.²⁰⁹

²⁰⁶ MFA 118-00046-01, *Shanghai Shi Waiqiao Shiwu Chu liu-qi yue gongzuo baogao* [Work report of the Shanghai Foreign Citizens Affairs Department for June-July], 1/6/49-30/11/49, ‘Our strategy is...’ (*women de fangzhen shi jielu he daji diguozhuyi de yiqie qinlüe jiandie, jie jue weichi zhuqian. Tongshi, dui bu sun zhuquan, youli yu women de waiqiao jingji huodong, yuyi shidang de yunong bing baohu shoufa waiqiao de shengmingcaichan, chengchu yiqie weifa waiqiao, dui huiguo gaiguo de waiqiao, ze yuyi kuanda chuli*, 我们的方针是揭露和打击帝国主义的一切侵略间谍, 坚决维护主权。同时, 对不损主权, 有利于我的外侨经济活动, 予以适当的运用并保护守法外侨的生命财产, 惩处一切违法外侨, 对悔过改过的外侨, 则予以宽大处理); See also MFA 118-00046-11, *Shanghai Shi Waiqiao Shiwu Chu liu-qi yue gongzuo baogao (fu jian shier; Shanghai Waiqiao Shiwu Chu jieguan gongzuo jianbao)* [Work report of the Shanghai Foreign Citizens Affairs Department for June-July (Appendix 12; Concise report on the takeover work of the Shanghai Foreign Citizens Affairs Department)], 1/6/49-30/11/49.

²⁰⁷ MFA 102-00180-01, *Wang Bingnan guanyu waijiao jilü wenti baogao* [Report by Wang Bingnan regarding discipline in foreign affairs], 5/7/50.

²⁰⁸ MFA 102-00180-01, *Wang Bingnan guanyu waijiao*, 5/7/50.

²⁰⁹ ‘*Shanghai Shi Renmin Zhengfu jieguan gongzuo di yi ge yue zonghe baogao*’ [Comprehensive Report on the First Month’s Takeover Work by the Shanghai Municipal People’s Government], July 1949, *Shanghai jiefang*, pp. 292-4.

As well as strictly following the 'non-recognition' policy, the FAD also stressed the importance of research and preparation: it was 'preferable to wait than to make mistakes' as the rhyming mnemonic had it (*ning tuo wu cuo*, 宁拖勿错).²¹⁰ As the CCP's definition of 'foreign affairs' meant everything that involved foreigners, the FAD required the cooperation of nearly all the other government departments (including the bureaus of industry and commerce, real estate, the courts etc).²¹¹ In order to deal with all problems involving foreigners, the FAD had to understand all these areas. This created an enormous amount of work for them.²¹² Much of what foreigners came to see as obstinacy or deliberate delay was in fact caused by the fact that the cadres always sought to act from a position of strength and preparedness.²¹³ There was great potential for embarrassment if different government organisations contradicted each other. Getting other departments to follow correct foreign affairs protocol was a difficult task in itself.²¹⁴ There were also logistical reasons for delays; there were never enough cadres and they lacked skills and resources.²¹⁵

In essence the FAD cadres were erecting a façade of unresponsiveness and secrecy, built upon the 'non-recognition policy.' Foreign diplomats would be received, but only on an informal basis and when it suited the CCP. There was absolutely no recognition of their official status. The privileges usually accorded to consulates, such as tax exemption, were cancelled.²¹⁶ Vice-Head of the Tianjin FAD Zhang Wenpu (章文普) recalled that when foreign officials came to call without an invitation, the lowest ranking cadres would be sent out to deal with them while the leaders kept out of the way.²¹⁷ Behind this façade the CCP could operate more freely and avoid making commitments or committing policy errors through undue haste. Their obstinacy and unresponsiveness gave them a certain air of

²¹⁰ MFA 118-00046-11, *Shanghai Shi Waiqiao Shiwu Chu liu-qi yue gongzuo baogao (fu jian shier; Shanghai Waiqiao Shiwu Chu jieguan gongzuo jianbao)* [Work report of the Shanghai Foreign Citizens Affairs Department for June-July (Appendix 12; Concise report on the takeover work of the Shanghai Foreign Citizens Affairs Department)], 1/6/49-30/11/49.

²¹¹ MFA 118-00046-26, *Shanghai Shi Waiqiao Shiwu Chu Shi-Shiyi Yue gongzuo baogao* [Work report of the Shanghai Foreign Citizens Affairs Department for October-November], 1/11/49- 30/11/49.

²¹² For an interesting overview of the CCP's conception and implementation of foreign affairs 'waishi' work see Anne-Marie Brady, *Making the foreign serve China: Managing Foreigners in the People's Republic* (Oxford: Rowman & Littlefield, 2003).

²¹³ MFA 118-00046-12, *Shanghai Shi Waiqiao Shiwu Chu Ba-Jiu Yue gongzuo baogao* [Work report of the Shanghai Foreign Citizens Affairs Department for August-September], 21/9/49.

²¹⁴ SMA B1/2/257, *Shanghai Shi Junshi Guanzhi Wei yuanhui guanyu fabu banfa, zhangze, wengao, tiaojian de guiding* [Shanghai Military Control Commission regulations on dissemination of procedures, rules and articles], January 1950; MFA 118-00046-11, *gongzuo baogao (fu jian shier)*.

²¹⁵ SMA A4-1-1, *Chengshi jieguan gongzuo de jingyan baogao*, 26/6/49.

²¹⁶ MFA 118-00046-01, *Shanghai Shi Waiqiao Shiwu Chu Liu-qi yue gongzuo baogao*.

²¹⁷ Zhang Wenpu, 'Zai Tianjin congshi waishi gongzuo de huiyi,' *Chengshi jieguan qinli ji*, p. 149.

mystery that encouraged a degree of optimism among some foreign residents over the next few months and years. The Communists were seldom seen to be committed fully to any one course, so there always appeared to be the chance that they could be swayed. In May 1949 many foreign residents were willing to put up with a few uncomfortable months in exchange for the promise of future trade. For the FAD, however, the continued presence of foreign businessmen and diplomats was an expression of their desire to maintain their 'special privileges' (*tequan*, 特权).²¹⁸

The FAD reported to Beijing in March 1950 that the agents of the imperialist states in Shanghai connived together (*langbeiweijian*, 狼狈为奸) to have their position recognised by every possible means.²¹⁹ From the CCP's perspective, the American diplomats in Shanghai had been quite direct. In contrast, the British were considered to be more 'experienced and cunning' (*laolian jianhu*, 老练奸滑). They preferred to use unofficial channels, such as approaching the CCP through the acting chairman of the Union Jack Club, or through a Chinese lawyer known to John Keswick. Approaches were also made through W.C. Gomersall, a textile mill owner (of whom more will be said later). All of the above were told to act as though they had not been in contact with the Consulate General. In the early days Consul General Urquhart was keen to make advances in the hope that the CCP might become more positively inclined towards the continued existence of foreign business.²²⁰ The Communists remained unconvinced, as can be seen from a FAD report to Beijing in summer 1949 that stated that the shared aim of the British and the Americans was to 'oppress us, to put us on the back foot and make us bow our heads, to preserve the fruits of their aggression and carry out trade' (*Ying Mei dui women de zhengce jiben xiangtong, qi mudi jun wei wapo wo rang wo rangbu ditou, zai baochi qi qinlüe guoshi qianti xia, jinxing maoyi*, 英美对我政策基本相同, 其目的均为压迫我让步低头, 在保持其侵略果实前提下, 进行贸易).²²¹

²¹⁸ MFA 118-00046-01, *Shanghai Shi Waiqiao Shiwu Chu Liu-qi yue gongzuo baogao*.

²¹⁹ SMA B1/2/3658, *gongzuo zongjie*.

²²⁰ TNA FO 371/75865, British commercial interests in China, 1949; Consul General Shanghai to Foreign Office, No. 445, 10/6/49.

²²¹ MFA 118-00046-01, *Shanghai Shi Waiqiao Shiwu Chu liu-qi yue gongzuo baogao*.

Conclusion

As the CCP consolidated their hold on the city they approached the remaining foreigners in much the same way they approached wider political and economic problems. Policy towards foreign affairs, both within China and internationally was developed in conjunction with the wider processes of the takeover of China's cities. Long-term nationalist and socialist revolutionary goals based on ideology were held in abeyance, while pragmatism and short-term stability were prioritised under the banner of New Democracy. The elimination of foreign political, economic and other influence was certainly the CCP's aim, but for now the CCP had at least constructed a system of dealing with foreigners within China, based on the 'non-recognition policy,' which allowed them 'semi-free hands.' Refusing to declare their position on foreign interests in China openly and to enter into some form of formalised relations meant that the CCP could operate from a position of strength.

British businessmen and policy makers refused to close the door to China as they hoped for some form of political and commercial relations. As the case of KMA demonstrated, they could be both hostile and encouraging towards foreign business when it suited them. Their attitude towards the future of foreign businesses in China was perhaps more flexible in practice than has once been thought, but it remained thoroughly hostile in principle. The Foreign Affairs Department prepared for the takeover thoroughly and established procedures for dealing with foreigners that allowed them to operate on their own terms and not rush into situations for which they were unprepared. As we shall see in the following chapter, once the CCP had established their control over the cities they began to transform them. In Shanghai this meant beginning the process of eradicating the remaining foreign political, economic and cultural influence and transforming Shanghai from an 'imperialist city' into a Chinese and socialist one.

Chapter 2: Transforming Shanghai

'Old' and 'New' Shanghai

The takeover of Shanghai and the establishment of the People's Republic of China marked the birth of 'New Shanghai' and 'New China.' 'Old' Shanghai was vilified, as was everything belonging to it: the people and the places as well as the city's social, political and economic milieu.¹ Shanghai was denigrated by the incoming CCP as the "fortress bridgehead" of imperialist aggression in China' (*diguozhuyi qinlüe Zhongguo de 'qiaotou baolei,'* 帝国主义侵略中国的'桥头堡垒').²

Special anniversary publications have been compiled by the CCP to mark every significant five- and ten-year anniversary from the first to the sixtieth year of 'New' Shanghai. In these publications 'New' Shanghai has been presented quite uncritically as a workers' paradise: independent, productive, moral, orderly, hygienic, and socialist. 'Old' Shanghai was an imperialist, capitalist and immoral city. These publications have charted the transformation of life in the city, the receding influence of the imperialists and the eradication of old social evils.³ The old Guomindang regime had tried and failed to channel Shanghai's energies away from drugs, gambling and prostitution, and towards national construction and self-cultivation.⁴ The CCP, like Communists elsewhere, believed in the proactive, authoritarian exercise of power by a Leninist vanguard party to destroy old inequalities and to create the conditions for the birth of a utopia. Eliminating the foreign presence was one part of their planned transformation.

¹ Betta, 'The (Re)Shaping'; Braester, Yomi, "A Big Dying Vat": The Vilifying of Shanghai during the Good Eighth Company Campaign,' *Modern China*, 31, 4 (2005), pp. 411-447

² *Shanghai gaikuang*, p. 3.

³ See for example (though there are many more available); Jiefang Ribao She, *Shanghai jiefang yi nian, 1949-1950* [The first year of liberated Shanghai] (Shanghai: Jiefang Ribao She [Shanghai: Liberation Daily Publishing House], 1950); Shanghai jiefang shi nian bianji weiyuanhui [Ten Years of Liberated Shanghai Editorial Committee] *Shanghai jiefang shi nian* [Ten years of liberated Shanghai] (Shanghai: Shanghai Wenyi Chubanshe [Shanghai: Shanghai Arts and Culture Publishing House], 1960); Xu Deming, *Shanghai huihuang wushi nian: qingzhu Shanghai jiefang 50 zhou nian* [Shanghai's glorious 50 years: Celebrating the fiftieth anniversary of the liberation of Shanghai] (Shanghai: Shanghai Jiaoyu Chubanshe [Shanghai: Shanghai Educational Publishing House], 1999); Guo Jiafu, *Hengdu Changjiang jiefang Shanghai: jinian Shanghai jiefang wu shi nian zhuanji* [Crossing the Yangtzi to liberate Shanghai: an album commemorating 50 years since the liberation of Shanghai] (Shanghai: Shanghai Shanghaishi Xin Si Jun Lishi Cong Kan She [Shanghai: Shanghai New Fourth Army Historical Collections Publishing House], 1999).

⁴ Frederic Wakeman Jr., 'Licensing Leisure: the Chinese Nationalists' Attempt to Regulate Shanghai, 1927-49,' *The Journal of Asian Studies*, 54, No. 1, (February 1995), pp. 37-8; Hershatter, 'Regulating Sex'), pp. 145-86.

In 'New China,' 'Old Shanghai' would continue to be maligned as an exploitative place dominated by foreign imperialists.⁵ Perhaps the most visually stimulating portrayal of 'Old Shanghai' can be found in the 1965 film version of the revolutionary opera 'The East is Red' (*Dongfang Hong*, 东方红). In an early scene the viewer is shown Shanghai under darkened skies; workers load Chinese silk onto a foreign ship as an arrogant white imperialist and his Chinese toughs abuse them.⁶ Even as late as 1980, pre-'Liberation' Shanghai was described in children's books as an evil place, a place of 'foul wind and bloody rain [this is a set phrase implying a reign of terror], a place of darkness' (*xueyu xingfeng, yipian heian*, 血雨腥风, 一片黑暗).⁷ Shanghai as a compromised, semi-colonial city held a special place in the CCP's conception of century characterised by 'national humiliation' (*guochi*, 国耻). The discourse of 'national humiliation' is a constantly recurring theme in Communist historiography designed to chastise imperialism, promote Chinese nationalism and highlight the CCP's achievements in ending the cycle of shame. How did the CCP seek to establish their New Shanghai in contrast to the humiliations of the past?⁸

This chapter explores the period after June 1949 with a focus on the CCP's eradication of the non-economic aspects (that is, the political, cultural, religious aspects) of the foreign presence in Shanghai. It begins with a brief introduction to the concept of 'New Shanghai' before moving on to chart the main events of this period, including the Guomindang blockade and bombing of the city. Shanghai was at the forefront of Sino-foreign relations. Events at the international and national levels, including the establishment of the People's Republic on 1st October 1949 and the withdrawal of the American presence from China, informed events on the ground in Shanghai and were shaped in turn by events in Shanghai. In the foreground was the issue of whether diplomatic relations would exist between Britain and China, and whether British interests had a future in Shanghai. A cultural shift was signalled by the punishment of British and American citizens by the Chinese authorities for real or perceived misdemeanours. The CCP used these opportunities to demonstrate that foreigners were no longer immune

⁵ Betta, 'Myth and Memory.'

⁶ *Dongfang Hong* [The East is Red] (Beijing: August 1st Film Studio, 1965).

⁷ Jiefangjun Shanghai Jingbeiqu, *Jiefang Shanghai de Gushi* [PLA, Shanghai Garrison, The Story of the Liberation of Shanghai] (Shanghai: Shaonian Ertong Chubanshe [Shanghai: Juvenile & Children's Publishing House], 1980), p. 10.

⁸ William A. Callahan, 'National Insecurities: Humiliation, Salvation, and Chinese Nationalism,' *Alternatives: Global, Local, Political*, Vol. 29, No. 2 (Mar.-May 2004), pp. 199-218; Paul A. Cohen, 'Remembering and Forgetting National Humiliation in Twentieth-Century China,' *Twentieth-Century China*, Number 2, April 2002, pp. 1-39(39).

from Chinese justice in an independent and sovereign Shanghai. The chapter concludes by examining the CCP's policies towards foreign cultural interests in Shanghai from 1949 into the early 1950s. This was a period of transformation: the CCP sought to establish their authority in the city by gaining control over civil society, both Chinese and foreign. Foreign newspapers were closed and foreign films were banned. As nationalism and anti-imperialism intensified foreign cultural organisations were progressively closed or taken over.

Many foreigners believed that, like the incoming revolutionaries of the past, the CCP would be corrupted, exhausted, and absorbed by the decadent city. The CCP's attitude towards Shanghai had been shaped by their troubled relationship with the city; the Party had held its First Conference in Shanghai's French Concession in August 1921, but they had also suffered their greatest defeat there at the hands of the Guomindang in 1927. After the 1927 purge, the CCP were effectively banished to the countryside.⁹ The CCP were well aware of the potential for the spiritual pollution of their cadres and it was a source of great anxiety.¹⁰ Their mission was, therefore, to transform the city's social milieu through various proactive measures. Their intent was marked by a symbolic and literal clean-up of the city that took place within the first two weeks after the takeover: the hygiene department removed tens of thousands of tonnes of waste from the city's streets.¹¹ Thousands of vagrants and pickpockets were rounded up to be 'reformed' and 'transformed into normal working people.' Many were sent away from Shanghai back into the hinterland.¹² The once decadent and depraved 'Great World' (*Da Shijie*, 大世界) entertainment complex, with its freak shows, pickpockets, and

⁹ On the founding of the Party see Tony Saich, (ed.), *The Rise to power of the Chinese Communist Party: documents and analysis* (Armonk, N.Y.: Sharpe, 1996), pp. 11-18; Hans J. Van de Ven, *From Friend to Comrade: the Founding of the Chinese Communist Party, 1920-1927* (Berkeley; Oxford: University of California Press, 1991). On the 1927 purge see Frederic Wakeman, Jr., *Policing Shanghai 1927-1937* (Berkeley: University of California Press, 1995), pp. 122-3; Smith, *A Road is Made*; and Harold R. Isaacs, *The Tragedy of the Chinese Revolution* (Stanford, Calif: Stanford University Press, 2nd rev. ed, 1961), pp. 110-119.

¹⁰ Hannah, 'Shanghai,' p. 188; 'Nearly all agreed that, as in the past, the new revolutionary force would begin to dissolve once it had occupied Shanghai, which in the past had exhausted, corrupted, and absorbed many conquering warlords. Indeed, one felt it simply had to happen that way; for if it did not, that would be the end of Shanghai.'

¹¹ The CCP claimed in internal reports that 65,000 tonnes were cleaned away, and in a newspaper that 35,000 tonnes were cleared. See *Shi Renmin Zhengfu jieguan gongzuo di yi ge yue zonghe baogao* [Comprehensive Report on the First Month's Takeover Work by the Shanghai Municipal People's Government], 07/49, *Shanghai Jiefang*, pp. 292-4; *Shanghai Xinwen Ribao* [Daily News, 新闻日报], 8/6/49, cited in HSBC SHGI 0001, Summaries of news and reports (political, economical, financial) for senior management, Jul-Dec 1949.

¹² *Jiefang Ribao* [Liberation Daily, 解放日报], 16/12/49, cited in HSBC SHGI 0001, Summaries of news and reports (political, economical, financial) for senior management, Jul-Dec 1949; see also Wakeman, "Clean up," pp. 47-8.

pimps was made, to quote one pro-CCP source, 'clean and orderly.'¹³ Prostitution was cracked down on through a series of increasingly severe measures aimed at breaking the power of the pimps and 'reforming' prostitutes.¹⁴ Two years later Shanghai was described by American observers as being 'both smart and clean.'¹⁵

In March 1949 Mao had warned his Party about the dangers of victory, saying that, 'After the enemies with guns have been wiped out, there will still be enemies without guns.' These enemies would try to use 'sugar-coated bullets' to subvert the revolution. For Mao, the revolutionary seizure of power was 'only the first step in a long march of ten thousand *li*.' The last few decades would 'seem like only a brief prologue to a long drama.' In order to consolidate the revolution, the remaining cultural influence of the foreign imperialists had to be eradicated:

Old China was a semi-colonial country under imperialist domination... This imperialist domination manifests itself in the political, economic and cultural fields. In each city or place where the [Guomindang] troops are wiped out and the government is overthrown, imperialist political domination is overthrown with it, and so is imperialist economic and cultural domination. But the economic and cultural establishments run directly by the imperialists are still there, and so are the diplomatic personnel and the journalists recognized by the [Guomindang]. We must deal with all these properly in their order of urgency. Refuse to recognize the legal status of any foreign diplomatic establishments and personnel of the [Guomindang] period, refuse to recognize all the treasonable treaties of the [Guomindang] period, abolish all imperialist propaganda agencies in China, take immediate control of foreign trade and reform the customs system – these are the first steps we must take upon entering the big cities. When they have acted thus, the Chinese people will have stood up in the face of imperialism. As for the remaining imperialist economic and cultural establishments, they can be allowed to exist for the time being, subject to our supervision and control, to be dealt with by us after country-wide victory.¹⁶

¹³ Yang Li-Hsin, 'Formerly a hang-out for racketeers- 'The Great World'- is now a popular entertainment centre,' *China Monthly Review*, Shanghai, June 1953, pp. 74-77; for an irreverent Western account of the Great World in its prime see Maurine Karns and Pat Patterson, *Shanghai; High Lights, Low Lights, Tael Lights* (Shanghai, The Tridon Press, 1936), pp. 7-8; The 'Great World' was run from 1931 by prominent Green Gang leader Huang Jinrong, see Wakeman, 'Licensing Leisure,' pp. 26-7.

¹⁴ Wakeman, 'Licensing Leisure,' p. 37; Christian Henriot, 'La Fermeture': 'The Abolition of Prostitution in Shanghai, 1949-58,' *The China Quarterly*, No. 142 (Jun., 1995), pp. 467-486; Hershatter, 'Regulating Sex in Shanghai,' pp. 145-86.

¹⁵ NARA CREST CIA Archive, Information Report; Present State of Shanghai's Foreign Community/Business Conditions/Appearance of City, 6/11/51.

¹⁶ Mao, 'Report to the Second Plenary Session,' pp. 361-75. A *li* is a Chinese unit of measurement equal to about 500km.

Economic crises and unemployment could only be solved by long-term economic stability: consumerist materialism would have to be replaced by industrial production. In 1953 the local authorities wrote a report that reflected on Shanghai's transformation from a 'paradise of the bourgeoisie' (*zichan jieji de leyuan*, 资产阶级的乐园) with a 'semi-colonial' and 'comprador odour' (*maiban qiwei*, 买办气味) into a 'productive city' (*shengchan chengshi*, 生产城市). According to the report, light industry and commerce predominated in 1949. The city's single largest industry was the textile industry which accounted for a third of all factories (some 5,000 in total) and nearly half of all employment. The famous Nanjing Road and Avenue Joffre (now Huaihai Road, 淮海路) were lined with fashionable shops, cafes, dance halls, and jewellery stores with 'glittering jewels that delighted the eyes' (*linlang manmu*, 琳琅满目). All this co-existed alongside the most desperate poverty. The city's decadent character and the dominance of foreign enterprises in many economic sectors, had, in the opinion of the CCP, led the city to have had an 'abnormal development and unhealthy appearance' (*jixing fazhan he bu jiankang de xianxiang*, 畸形发展和不健康的现象). Shanghai was therefore considered to be 'not a productive city, rather ... a model consumerist city that serves the bureaucrat, comprador, landlord and imperialist.'¹⁷ Over the next few years the CCP placed a great deal of emphasis on transforming production to 'serve the working classes' (*wei gongren jieji fuwu*, 为工人阶级服务), in line with a shift to heavier industry. Luxury consumer items became ever more scarce: shops closed, or adjusted to the new realities by selling revolutionary items such as the simple clothing that became known in China as 'Sun Yat-sen suits' and in the West as 'Mao suits.' Expensive hotels and apartment buildings became government offices.¹⁸

Sites of former 'imperialist influence' were occupied or demolished. In August 1951 the Shanghai People's Government announced that they would be taking over the site of the ninety-year-old racecourse to build a huge 'People's Square' and park. The racecourse was one of the pre-eminent symbols of foreign influence in China. It had, the CCP said, corrupted the people of Shanghai, luring them into gambling away their hard-earned money.¹⁹ As well

¹⁷ SMA B182-1-461-187, *Shanghai ruhe cong xiaofei chengshi*; 'Not a productive city...' (*Yinci Shanghai bu shi yi ge shengchan chengshi, er shi yi ge dianxing de wei guanliao, maiban, diguozhuyi fuwu de xiaofei xing chengshi*, 因此上海不是一个生产城市, 而是一个典型的为官僚, 买办, 帝国主义服务的消费性城市).

¹⁸ Ibid.

¹⁹ Ma Tao-Hsien, 'Foreigners' Old Race Course is now People's Square; Sign of the Times,' *China Monthly Review*, Shanghai, October 1952, pp. 371-4; The site had also been used by Japanese and US Army units stationed in Shanghai; for an historical overview see also Xiong Yuezhi, 'From Racecourse to People's Park and

as having been established by 'British imperialist gold diggers' to exploit the naiveté of Chinese gamblers, observed the Chinese press, the racecourse had been used as a billet by Japanese and American troops during and after the Pacific War. After 'Liberation' it had been reopened as a club, where Chinese youth had been tempted to spend 'long hours of dissipation.'²⁰ At the ground-breaking ceremony the vice-Mayor, Pan Hannian, made a speech claiming that the old and the immoral was being done away with in favour of creating a new and healthy Shanghai. The square would become a centre for revolutionary activity and anti-imperialist rallies:

Everyone knows that this ground has been branded with the indelible mark of the big powers' aggression against China... this piece of land which has been occupied by the imperialists for over 90 years has returned to the embrace of the people of Shanghai... it is to be used by the people of Shanghai!²¹

Similarly, the stadium for greyhound racing in the former French Concession became the 'Shanghai Cultural Plaza' and was used to hold political rallies.'²² The Aili Garden, the private playground of the Hardoon property dynasty, became the site of the enormous 'Sino-Soviet Friendship Building.'²³

People's Square: the historical changes and the symbolic meaning,' *Frontiers of History in China*, 2008, Vol. 3, No. 1, pp. 101-116.

²⁰ *The Shanghai News*, "'Race Course" - Yesterday & Today,' 6/9/51.

²¹ Zhou et al, *Shanghai waishi zhi*, p. 322; 'Everyone knows that...' *Shei dou zhidao, zhe kuai tudi shang youzhe lieqiang qinlue Zhongguo de wushu laoyin... zhe kuai bei diguozhuyi zhe qinzhan jiu shi duo nian de tudi zhongyu hui dao le Shanghai Renmin de huaibao, yongyuan wei Shanghai Renmin ziji suoyou, wei shanghai Renmin suo yong le!* 谁都知道, 这块土地上有列强侵略中国的无数烙印... 这块被帝国主义者侵占九十多年的土地终于回到了上海人的怀抱, 永远为上海人民自己所有, 为上海人民所用了!).

²² SMA B182-1-461-187, *Shanghai ruhe cong xiaofei chengshi*.

²³ *Shanghai de Gushi* [Story of Shanghai] (Shanghai: Shanghai Renmin Chubanshe [Shanghai People's Publishing House], 1963), pp. 42-7; Betta, '(Re)Shaping,' pp. 4-5.

'The ambition of the imperialists cannot be killed': inflation and blockade

The eradication of the non-economic aspects of the foreign presence took place in a period of great instability and uncertainty. Managing foreigners was one of the most sensitive issues the CCP faced, but there were other, far more pressing problems at hand. Their immediate priority was to calm the populace and to restore order. They then had to revive the economy, check the rampant inflation in the city, calm the mood of over half a million workers, and come up with a plan to assist a further quarter of a million unemployed. Furthermore, the eyes of the world and the rest of China were upon them, watching to see if they were capable of running a large developed city.²⁴ There were two main sources of instability: the ongoing inflationary crisis, and the civil war.

Inflation

Inflation had been a severe problem in Shanghai since the Pacific War. Average prices in August 1945 were 2,500 times higher than pre-war levels. The Guomindang regime failed to restore economic stability. The financial crisis that brought down that government had peaked in late 1948 when prices were a further 2,500 times higher again than the August 1945 level. In October 1948 a new currency was introduced and Jiang Jieshi's son Jiang Jingguo (蒋经国) led a campaign for currency stabilisation that, in the words of one banking official, 'more or less terrorised [Shanghai] into a state of monetary equilibrium.' Ultimately, however, these efforts failed, and the inflationary spiral began once more.²⁵

Shanghai became a town of barter and exchange. Criminals and corrupt officials abounded. Many ordinary people were obliged to engage in various illegal practices simply to survive (such as the possession of foreign currency). According to the local authorities' 1953 report on the transformation of Shanghai, the city had many factories that were 'buying nothing and selling nothing' (*mai kong mai kong*, 买空卖空). They existed solely as fronts for the owners

²⁴ Zhou Enlai, *Zhonggong Zhongyang wenxian yanjiushi, Zhongyang Danganguan bian, Jianguo yilai Zhou Enlai wengao, di san ce, 1950 nian 7 yue – 1950 nian 12 yue* [Zhou Enlai's Manuscripts Since the Founding of the People's Republic of China, Vol. 3, July 1950 to December 1950] (Beijing, Zhongyang wenxian chubanshe, 2008), p. 366.

²⁵ Chang, *The Inflationary Spiral*, pp. 79-85, 363; Young, *China's Wartime Finance*, pp. 327-8.

to hoard raw materials, speculate and acquire foreign exchange.²⁶ Shortly before the takeover of the city, Consul General Urquhart described the economic situation as follows:

There are many who fear that the economy of Shanghai ... will not long stand the strain. There are no markets, no confidence, the ordinary leaders and managers have gone and unemployment must increase.²⁷

The success of the CCP's revolution depended on restoring economic order. From the end of May to early June waves of inflation continued to erode the value of the CCP's new currency, the *Renminbi* (Peoples Currency). It seemed that the CCP might have as little success as the Guomindang: between the end of May and mid July the price of goods increased nine-fold. By September, prices had fallen slightly, but compared to prices on the 30th May, the price of rice had risen by 150 per cent, and flour by 82 per cent.²⁸

The currency was eventually stabilised in the spring of 1950 as a result of the CCP's economic and political measures.²⁹ Probably the most important of these was the CCP's fierce crackdown on speculators. On 8th June 1949 plain-clothes Public Security Bureau cadres and garrison soldiers surrounded the city's currency exchange and arrested large numbers of those found inside. On 1st December six counterfeiters (allegedly Guomindang agents) were paraded through crowd-lined streets on their way to the execution grounds.³⁰ The second reason for relative stabilisation was that the CCP facilitated the supply of food and raw materials into the city, increasing supply to meet demand. Economy campaigns, and the fact that a tenth of the pre-'Liberation' population had been 'dispersed and had left the city' (*shusan li bu*, 疏散离埠) meant reduced pressure on resources. Finally, Parity Deposit Units (*zhe shi chuxu*, 折实储蓄) were issued instead of cash wages to guarantee workers a standard of living based on the price of essential commodities.³¹ The China Association,

²⁶ SMA B182-1-461-187, *Shanghai ruhe cong xiaofei chengshi*.

²⁷ TNA CAB 21/3273, China: recognition of Communist Central Peoples' Government, 1949 May-1957 February; Consul General Shanghai to Foreign Office, No. 315, 7/5/49 forwarding addressed to Nanjing, No. 127, 7/5/49.

²⁸ *Shanghai jingji shang de zhongyao wenti gaishu* [Overview of Important Economic Problems in Shanghai], September 1949, in *Shanghai Jiefang*, pp.475-83.

²⁹ Gao, *Hangzhou*, pp. 94-7; *The Shanghai News*, 'China Scores Victory in Curbing 12-Year Inflation,' 21/9/50.

³⁰ Wakeman, "Cleanup," p. 47.

³¹ *Shanghai jingji shang de zhongyao wenti gaishu*, pp. 475-83.

which represented the interests of British businesses, described the Units as an 'unusual (but extremely realistic) currency system.'³²

The Civil War and the blockade

The Civil War continued in South China well into 1951. The relatively smooth takeover of major cities, such as Chengdu and Guangzhou (which both fell in December 1949), belied the difficulties the CCP would continue to face as they struggled to deal with guerrilla resistance in unfamiliar territory.³³ On the 20th June the Guomindang Government announced through its propaganda organs that they were imposing a blockade of all major ports on the east China coast. On the 21st June a British steamship, the *Anchises*, was bombed by Guomindang-piloted, American-built P51 Mustangs in the Huangpu River. Four of the crew were killed. The British Government had not been formally notified of the Guomindang's intent to impose a blockade, and the attack was described by them as 'entirely unwarranted.'³⁴

The formal blockade was announced on the 26th June. The British saw this as the folly of a doomed government, an entirely negative measure designed to cause suffering that was useless from a strategic point of view. Furthermore, it seriously imperilled the 'open door' policy. Even Consul General Urquhart in Shanghai had to admit that if the British population there had been told that they would have faced a recriminatory blockade, 'many more would have left and taken with them what they could of their assets.'³⁵ Shanghai was dependent on imports.³⁶ The blockade meant that Shanghai was completely cut off from the raw materials needed for industry (such as Kailuan coal) and basic foodstuffs. China's under-developed and war-damaged interior could not provide an alternative.³⁷

³² TNA FO 371/83272, China Association Annual Report, 1949-1950, Annual Meeting, 3/5/50.

³³ Jeremy Brown, 'From Resisting Communists to Resisting America: Civil War and Korean War in Southwest China, 1950-51,' in *Dilemmas of Victory*, pp. 105-129; see also Skinner, 'Aftermath of Communist Liberation,' pp. 61-76.

³⁴ See comments by Under Secretary of State for Foreign Affairs Christopher Mayhew in Hansard, 'Attack on British Ship, China,' HC Deb, 21/6/49, vol. 466, cc34-5.

³⁵ TNA PREM 8/943, Distribution of Coal in Communist China, Nationalist Blockade of port of Shanghai and Commercial community, 1949; Shanghai to Foreign Office, No. 586, 21/7/49; W. Strang to Prime Minister, 29/7/49.

³⁶ TNA FO 371/75864, British commercial interests in China, 1949; Major General R.C. Money, Ministry of Transport to P.D. Coates, Foreign Office, 10/2/49, internal disruption and economic backwardness had Money argued, meant that 'the world has learned to do without Chinese produce, including Chinamen.'

³⁷ TNA PREM 8/943, Distribution of Coal in Communist China, Nationalist Blockade of port of Shanghai and Commercial community, 1949; Shanghai to Foreign Office, No. 586, 21/7/49; W. Strang to Prime Minister, 29/7/49.

The Guomindang's blockade produced a tense atmosphere in the city. It was seen by the Shanghai FAD as part of a wider campaign to secure foreign interests in Shanghai by making life difficult for the CCP:

The ambition of the imperialists cannot be killed; we should heighten and strengthen our hard work against them. The utmost fantasy of the imperialists from start to finish is to use violence to destroy our revolution.³⁸

If the blockade were not lifted, Urquhart informed the Foreign Office, it would have been as if a 'death sentence' had been passed on half the firms in Shanghai, and a slow 'sentence of extinction' for the others.³⁹ To cover expenses, their head offices were forced to remit large sums at an 'unrealistic' rate of exchange (around £360,000 every month).⁴⁰ Closing down would mean huge payouts to Chinese employees, the loss of physical assets and financial reserves. Furthermore, the Shanghai British Chamber of Commerce reported, 'the labour situation is ugly and forced closing could give rise to very serious trouble.'⁴¹ Some companies, such as British American Tobacco, were already considering halting remittances of capital and closing their Chinese subsidiaries.⁴²

The CCP held all the cards in deciding the future of British nationals and assets in Shanghai and Hong Kong. They would also decide future political and economic relations between the two countries. So, Urquhart argued, it was up to the British to make the effort to break the blockade. For years, he said, the British had protested their neutrality but had been the CCP's 'tacit enemy.'⁴³

³⁸ SMA B1-2-3658-1, *Shanghai Waiqiao Shiwu Chu gongzuo zongjie (chugao)* [Shanghai Foreign Citizens Affairs Department draft summary of work], May 1949 to March 1950; 'The ambition of the imperialists...' (*diguozhuyi zhe de yexin shi bu hui si de, women ying tigao yu guangda women de nuli. Diguozhuyi zhe de zui gao huanxiang shizhong shi yi baoli cuihui wo geming, 帝国主义者野心是不会死的, 我们应提高与广大我们的努力. 帝国主义者的最高幻想始终是以暴力摧毁我革命*).

³⁹ TNA PREM 8/943, Distribution of Coal; W. Strang to Prime Minister, 29/7/49.

⁴⁰ TNA CAB 21/3273, China: recognition; Cabinet: Recognition of the Chinese Government; Memorandum by the Secretary of State for Foreign Affairs [Ernest Bevin], C.P. (49) 214, 24/10/49; Cabinet: Recognition of the Chinese Government; Memorandum by the Secretary of State for Foreign Affairs [Ernest Bevin], C.P. (49) 248, 12/12/49; Cabinet: Recognition of the Chinese Government; Memorandum by the Secretary of State for Foreign Affairs [Ernest Bevin], C.P. (50) 73, 20/4/50.

⁴¹ TNA PREM 8/943, Distribution of Coal; W.J. (Tony) Keswick, China Association, to Prime Minister Atlee, 11/8/49; Copy of telegram from the Shanghai Chamber of Commerce to the China Association, London, received 11/8/49.

⁴² TNA PREM 8/943, Distribution of Coal; Shanghai to Foreign Office, No. 586, 21/7/49; W. Strang to Prime Minister, 29/7/49.

⁴³ Ibid.

The British were committed to two incompatible policy directions; in the China area they were 'keeping a foot in the door,' but their paramount global concern was to work with America in order to preserve their global influence. By July 1949 the Americans had already decided that there would be no profitable future for business in China and that the CCP were hostile to foreigners in principle as well as in practice. They were reluctant to push the Guomindang to give up their blockade.⁴⁴ The British business community in Shanghai appealed strongly to the British Government, saying that it appeared 'that our interests are being subordinated to American policy which, from our angle, appears to be merely to evacuate.' The businessmen hoped that an end to the blockade would enable them to demonstrate their worth to the new Chinese government.⁴⁵

Although they considered the blockade illegal, the British could do nothing. They could not risk a confrontation with the Guomindang or a falling out with America by unilaterally breaking the blockade.⁴⁶ Furthermore, many at the Foreign Office were doubtful about how long any Chinese 'door' would remain open. It could be assumed that the CCP planned to eventually eliminate British mercantile interests in Shanghai. It was not worth subordinating long-term policies to short-term risks.⁴⁷

In June, Mao wrote to Stalin explaining that while he fully expected the 'imperialists' to continue their blockade, it would have little effect on China's economy as a whole, they would aim for self-sufficiency wherever possible and minimise their dependence on imports.⁴⁸ From August to November, around twenty factories were moved from Shanghai into the Chinese interior.⁴⁹ Deng Xiaoping suggested that:

⁴⁴ TNA PREM 8/943, Distribution of Coal; Sir F. Hoyer Millar, Ambassador, Washington to Foreign Office, No, 3654, 21/7/49, W. Strang to Prime Minister, 29/7/49; On the American policy towards the blockade see Woolsey, L. H., 'Closure of Ports by the Chinese Nationalist Government,' *The American Journal of International Law*, Vol. 44, No. 2 (Apr., 1950), pp. 350-6.

⁴⁵ TNA PREM 8/943, Distribution of Coal; W.J. (Tony) Keswick, China Association, to Prime Minister Atlee, 11/8/49; Copy of telegram from the Shanghai Chamber of Commerce to the China Association, London, received 11/8/49; Hooper, *China Stands Up*, p. 104.

⁴⁶ TNA PREM 8/943, Distribution of Coal; Sir F. Hoyer Millar, Ambassador, Washington to Foreign Office, No, 3654, 21/7/49, W. Strang to Prime Minister, 29/7/49; On the American policy towards the blockade see Woolsey, L. H., 'Closure of Ports by the Chinese Nationalist Government,' *The American Journal of International Law*, Vol. 44, No. 2 (Apr., 1950), pp. 350-6.

⁴⁷ TNA FO 371/75866, British commercial interests; M.E. Dening to Sir W. Strang, 29/7/49, record of a meeting between Minister of State and representatives of the China Association.

⁴⁸ CWIHP, Cable, Mao Zedong [via Kovalev] to Stalin, 14/6/49.

⁴⁹ *Jiefang Ribao* [Liberation Daily, 解放日报], 4/11/49 and *Xinwen Ribao* [Daily News, 新闻日报], 28/7/49, cited in HSBC SHGI 0001, Summaries of news and reports (political, economical, financial) for senior management, Jul-Dec 1949.

Although the blockade has caused us more than a few problems, it also has a beneficial side. Even without the blockade we still have many unsolvable problems.⁵⁰

The 'beneficial' aspect Deng mentioned was that although the British opposed the blockade, the Americans were tacitly supporting it; local opinion could easily be turned against them. The Shanghai FAD summed up the situation as they saw it by saying:

... the struggle in foreign affairs in the 50 days following the liberation of Shanghai has been one part of the Shanghai people's anti-imperialist struggle. This struggle is one of preserving special privileges or opposing imperialist aggression. Today this struggle is focused on opposing the blockade.⁵¹

In April, the Guomindang were forced to end their blockade as they withdrew from the strategically important Zhoushan archipelago. The arrival of two British ships in late May represented the return of normal shipping to Shanghai.⁵²

Shanghai was China's most economically important city and it was within striking distance of Taiwan. It was, therefore, an obvious target for bombing by the Guomindang's airforce using their American-made 'planes. There were over a hundred raids before mid-March 1950. The provenance of the 'planes was a tangible reminder of America's failed policy of support for the Guomindang; it also implied that the Americans condoned the bombing and was a great propaganda coup for the CCP. The bombing was sporadic, small in scale and generally quite ineffective, but it remained lethal nonetheless.⁵³ In one fairly typical raid, two fighter planes strafed a passenger train at Chenju Station, killing three and injuring eleven.⁵⁴ On 6th February 1950 the American-owned Shanghai Power Company was bombed. The Shanghai

⁵⁰ Deng Xiaoping 'Break the Blockade Imposed by the Imperialists,' 19/7/49, *Selected Works of Deng Xiaoping*, Vol. 1.

⁵¹ MFA 118-00046-01, *Shanghai Shi Waiqiao Shiwu Chu liu-qi yue gongzuo baogao* [Work report of the Shanghai Foreign Citizens Affairs Department for June-July], 1st June 1949- 30th November 1949; 'The struggle in foreign ...' (*Shanghai jiefang 50 tian lai waishi douzheng, zheng shi Shanghai renmin fandui diguozhuyi douzheng zhi yi fangmian. Shi weichi tequan yu fan di qinüe de douzheng. Jintian ze jizhong yu fan fengsuo de douzheng ...* 上海解放 50 天来外事斗争, 正是上海人民反对帝国主义斗争之一个方面。是维持特权与反帝侵略的斗争。今天则集中于封锁与反封锁的斗争 ...).

⁵² Hooper, *China Stands Up*, pp. 83, 108.

⁵³ TNA FO 371/83344, British Commercial Policy in China: Trading conditions and positions of British firms in China, 1950; Brief for the Secretary of State's Meeting with China Association Deputation on Thursday 16/3/50.

⁵⁴ *Da Gong Bao* (大公报), 4/11/49 and *Jiefang Ribao* (Liberation Daily, 解放日报), 21/1/49 cited in HSBC SHGI 0001, Summaries of news and reports (political, economical, financial) for senior management, Jul-Dec 1949; In November it was reported that bombing had caused 158 casualties, and started 93 fires.

FAD saw this as further proof of the fact that the imperialists intended to destroy Shanghai's economy. They reported that they were not surprised that the Americans, acting through the Jiang Jieshi regime, would stoop so far as to bomb their own enterprises.⁵⁵ This raid caused between five hundred and one thousand casualties.⁵⁶

To ensure that the city ran smoothly and without interference from 'imperialists,' the authorities strengthened their control over the foreign public utility companies in an effort to make the foreign management 'bow their heads, listen to orders and not dare to disobey' (*shi waiqiao fushou ting ling, bu gan weikang*, 使外侨俯首听令不敢违抗).⁵⁷ In March, a group of Soviet experts arrived to help strengthen the city's air defences and within a few months, the frequency of air attacks decreased.⁵⁸

The 'non-recognition policy'

The blockade and bombing formed the backdrop to a period of uncertainty in which foreign diplomats and businessmen sought to establish some form of contact with high-ranking CCP leaders. Shanghai was home to 31 diplomatic organs of foreign powers (including consulates general, embassy branch offices and so on) as well as numerous international organisations and relief organisations such as the Economic Cooperation Administration and International Refugee Organisation.⁵⁹ Attempts to make contact were always rebuffed. The CCP refused to recognise the official status of foreign representatives in the absence of diplomatic relations.⁶⁰ This meant that they could continue to have 'semi-free hands.' Mao stated in March 1949 that the CCP's policy was as follows:

We are willing to establish diplomatic relations with all countries on the principle of equality, but the imperialists, who have always been hostile to the Chinese people, will definitely not be in a

⁵⁵ SMA B1-2-3658-1, *Gongzuo zongjie*.

⁵⁶ A figure of 1,000 is given in TNA FO 371/83344, British Commercial Policy in China: Trading conditions and positions of British firms in China, 1950; Brief for the Secretary of State's Meeting with China Association Deputation on Thursday 16/3/50. Elizabeth Perry cites figures from Chinese sources that claim 500 casualties, with 600 injured and 50,000 rendered homeless, see Perry, 'Masters of the Country,' p. 71.

⁵⁷ SMA B1-2-3658-1, *Gongzuo zongjie*.

⁵⁸ Li Luo (李洛), 'Er, liu hongzha hou de Shanghai fankong xi douzheng' [The Struggle Against Air Raids in Shanghai after the 6th February Bombing], in Guo, *Hengdu Changjiang*, pp. 314-7; TNA FO 371/83346, British Commercial Policy in China: Trading Conditions and Positions of British Firms in China, 1950; China Association Bulletin No. 47, 20/4/50.

⁵⁹ Zhou *et al*, *Shanghai waishi zhi*, p. 309.

⁶⁰ Zhang Hanfu *zhuan*, p. 128

hurry to treat us as equals. As long as the imperialist countries do not change their hostile attitude, we shall not grant them legal status in China.⁶¹

Non-recognition was a blanket policy. Not even Soviet diplomats were to be formally recognised before the establishment of diplomatic relations. The FAD strongly reprimanded the Shanghai Cultural and Arts Department when it invited Soviet representatives to a ceremony commemorating the 'Liberation' of the north-east in the name of the 'People's Government' instead of in the name of the Party. The invitation had to be withdrawn, which was a source of great embarrassment.⁶²

Despite being determined to apply the non-recognition policy strictly and universally, the CCP's newly close relationship with the USSR was extremely important to them. During a conversation with Kovalev in early May 1949, Mao had likened imperialism to a lion: the head and body of the lion, the strongest parts, had been firmly bound by the USSR with the help of the Eastern bloc countries, while the CCP had

... pinched the lion's tail and are trying to cut it off. We suppose that the cutting of the tail will in turn weaken the power of the imperialists, concentrated in the head of the lion.⁶³

The terms of this relationship were worked out from June to August 1949 in a series of major talks in Moscow between Stalin and a secret Chinese delegation led by Liu Shaoqi. In these talks the Soviets agreed to a quick recognition of the future CCP government and a massive programme of economic aid and technical assistance.⁶⁴ Soviet support reassured the CCP and they saw no need to rush to secure recognition from Britain and the other Western powers.⁶⁵

The CCP's imagining of imperialism in China as the 'lion's tail' was apt. In post-1949 China there was no single strong imperialist hegemony to be attacked, merely the remnants of an era only just ended when foreign powers had dominated the Chinese economy and had bullied her politically. The imperialism targeted by the 'worldwide revolution' was American

⁶¹ Mao, 'Report to the Second Plenary Session,' pp. 361-75.

⁶² MFA 118-00046-12, *Shanghai Shi Waiqiao Shiwu Chu Ba-jiu yue gongzuo baogao* [Work report of the Shanghai Foreign Citizens Affairs Department for August-September], 21/9/49.

⁶³ CWIHP, Cable, Kovalev to Stalin, 17/5/49.

⁶⁴ Zhang, 'Xin Zhongguo Waijiao,' pp. 34-5.

⁶⁵ Gong Li, *Mao Zedong yu Meiguo: Mao Zedong dui Mei Zhengce sixiang de guiji* [Mao Zedong and America: the Trajectory of Mao Zedong's Policy Towards America] (Shijie Zhishi Chubanshe [World Knowledge Press], 1999), pp. 20-23.

imperialism; Britain was reduced to the role of 'running dog.' America was the most influential power globally. In Shanghai however, it was the remnants of British influence, the businesses, organisations and individuals, which were the most apparent, and that needed to be dealt with.

The future for British firms in China did not look bright. In their annual report for 1949, the China Association provided a bleak appraisal of the events: the year had seen 'crisis after crisis, and no end is yet in sight.' They appreciated fully that 'the chances of survival of private enterprise – except in special cases – are remote.' While some optimists hoped that what they saw as an intensely xenophobic country would reject the foreign communist creed, the China Association was not hopeful:

That the new order came to power under the banner of an alien political creed seems to be of secondary importance in a country as vast and primitive, and culturally independent as China: what is more important is that the new hierarchy is intensely more nationalistic, and more ruthless and efficient in enforcing its will, than any Chinese Government of modern times.⁶⁶

The blockade, the China Association believed, had damaged Britain's interests, and had hardened Chinese hostility towards Britain. Some, like Ambassador Sir Ralph Stevenson, maintained that 'the ignorance and inexperience of the Peking authorities may be a more important factor than their intense suspicion and anti-British bias.' As such, they argued that what was needed was a quick improvement in Sino-British relations and increased contacts with high-level leaders.⁶⁷

America had shown itself to be openly hostile to the CCP, but from early on it was clear that the British held different views. Indeed, within the British establishment there was a spectrum of different opinions on the future of British interests in China. As early as September 1949, the Shanghai FAD noted that the British were displaying a much friendlier attitude, and were willing to stay under the right conditions. British diplomatic representatives were similarly eager to make and maintain contact (and thereby preserve their interests, the CCP argued), whereas the Americans were now attempting to contact them less frequently. Protests from the American Consulate now usually came after matters had been resolved, rather than during

⁶⁶ TNA FO 371/83272, China Association; Annual Meeting, 3/5/50.

⁶⁷ TNA FO 371/75866, British commercial interests; Sir R. Stevenson, Nanjing to Foreign Office, 1382, 2/9/49.

the process of resolution, suggesting that they had lost faith in dialogue and were now only protesting for the sake of form. The US were calling for their nationals to leave the country, and this, along with attempts by British and American businesses to close factories or reduce their staffs, were seen as a deliberate attempt to cause trouble for the CCP, to 'incite disharmony' (*tiaobo*, 挑拨) and 'manufacture instability' (*zhizao bu an*, 制造不安).⁶⁸

In September, the British Consul General in Tianjin, S.L. Burdett was asked by a Chinese business contact, Wang Zhenbo (王真伯), to prepare a memorandum on the British presence in China, to be delivered to Wang's government contacts in Beijing. Burdett chose to emphasise the lack of contact between both sides as a particular source of dissatisfaction, saying that over the past several months only Pryor of the Kailuan Mines had maintained regular contact with CCP leaders:

With that one exception British subjects are at the mercy of minor officials, by whom the majority of them have been treated with suspicion, contempt, and ill-disguised hostility. Their liberty is restricted and their requests are usually refused or ignored and are not infrequently answered with threats.⁶⁹

With officials unable to make contact in anything other than their capacity as private individuals, Urquhart looked towards the business community, and John Keswick of Jardine, Matheson and Co. in particular. It was not only the size, historical legacy and current importance of his business that made Keswick important. Urquhart wrote of him;

... there is not a man in these parts of John Keswick's stature. He is head and shoulders above any of the others here and withal a very pleasant fellow.

Yet Urquhart was also wary of Shanghai businessmen. They had a reputation for being 'a fairly unscrupulous bunch,' and he had been specifically warned to be careful of Keswick, who in the next few months was to prove 'very naughty indeed.'⁷⁰

⁶⁸ MFA 118-00046-12, *gongzuo baogao*, 21/9/49.

⁶⁹ TNA FO 371/75867, British commercial interests in China, 1949; S.L. Burdett, Consul General Tianjin to L.H. Lamb, Nanjing, No. 375, 14/9/49 forwarding memorandum by Burdett given to Wang Zhenbo.

⁷⁰ TNA FO 371/75868, British commercial interests in China, 1949; Consul General Urquhart, Shanghai to Peter Scarlett, Foreign Office, Confidential Letter, 2/11/49. Keswick had also once had to be persuaded by the Ambassador not to try to become the mayor of Shanghai, see TNA FO 371/75868, British commercial interests in China, 1949; Consul General Urquhart, Shanghai to Peter Scarlett, Foreign Office, Confidential Letter, 2/11/49; 'This is, of course, by no means the first time I have had to stand my ground with John Keswick. The

The trouble had begun in September 1949 when Keswick held two meetings with Zhang Hanfu of the FAD, and was also able to meet Mayor Chen Yi. These meetings had gone well. Keswick found both Zhang and Chen friendly and well-disposed towards the idea of trade with Britain. Keswick had described the British in Shanghai to Zhang as like men waking in the night without a light 'and trying to feel our way around the furniture in the room. What we [need is] more light so that we could have more understanding.'⁷¹ Soon afterwards the Chinese suggested that Keswick might be invited to head a British business delegation to Beijing to meet with the Minister of Industry and Commerce for the north China People's Government, Yao Yilin (姚依林), to discuss the current situation and future prospects. This news was greeted with much excitement among British officials, who hoped that their 'open door' policy might be paying off.

When, sometime later, nothing seemed to have happened, they began to worry. According to Urquhart's rather shocked reporting of events, Keswick had made the invitation a personal one, and had kept his plans secret. He was seen to be deliberately excluding others in order to take the 'inner track' and land valuable contracts (the news was only leaked when Keswick's wife mistakenly mentioned it to John Kenyon of Patons & Baldwins Ltd.). This would have been damning enough, Urquhart wrote, but Keswick had also sought to delay the visit, as 'his firm had been "making a killing" in Canton [Guangzhou]', where the retreating Guomindang were making good use of Jardine Matheson's ships, wharves and warehouses. Keswick, Urquhart reported, 'complacently agreed that it was so; that when the rats were scuttling was the time to rake the shekels in.' He wanted to keep Yao 'dangling on a string until the Canton situation had cleared up.' To the dismay of the British officials, the invitation was eventually withdrawn. In October 1949 the question of recognition had arisen and had complicated matters. Nothing could now be done until diplomatic relations existed between the two countries. In missing this opportunity for his own firm and for British business in general,

first crisis occurred when John was carried away by Mayor K.C. Wu and was filled with ideas of standing as temporary mayor after the nationalists had to leave, holding the city as a sort of international responsibility. The Ambassador fortunately came down and warned him off that one.'

⁷¹ TNA FO 371/75867, British commercial interests in China; Record of interviews between Chairman of the British Chamber of Commerce Shanghai and Director of Foreign Affairs Bureau and the Mayor of Shanghai, at which position of British interests in China was discussed; Copy of a letter from Mr. Keswick to Mr. Mitchell of the China Association dated 28/9/49; Hooper, *China Stands Up*, p. 101.

Urquhart suggested, 'Keswick has allowed rather a lot of people to see that his feet are, after all, of clay.'⁷²

While Keswick was in Urquhart's bad books, another businessman named William Charles Gomersall was endearing himself. In November 1949, the director of the Manchester-based Calico Printers Association Ltd. ordered the Shanghai manager of its troubled subsidiary, the China Printing and Finishing Co., to close down and, if necessary, to give the plant to the Chinese Government. The Foreign Office considered this proposal 'madness' and urged strict secrecy because 'extremist Communists would be delighted to think that fruit so rich ... should fall into their hands so easily.' Gomersall stepped in to lease the plant for ten years, providing finance to resume production.⁷³

Gomersall had originally gone out to China with Jardine Matheson, but had broken away in 1928 to form his own company, the China Engineers.⁷⁴ He was a somewhat divisive figure and was greatly disliked by Keswick. In Urquhart's view, Gomersall had been too independent to stay at Jardine Matheson, where it was 'said that only 'yes-men' can expect advancement.' Keswick arranged to keep him out of the British Chamber of Commerce by threatening to resign as Chairman should Gomersall be admitted. As Keswick remained the 'big man in Shanghai', the majority of other Chamber members fell in to line.⁷⁵

Both Gomersall and Urquhart considered that the best policy was to win the CCP over by demonstrating both their positive intentions and their usefulness to the Chinese. In order to do this, Gomersall proposed an enormous expansion of the company's business in Shanghai. This included provision for £1,000,000 to be spent on the construction of China's first rayon mill. He finished his proposal with these words;

⁷² TNA FO 371/75868, British commercial interests; Consul General Urquhart, Shanghai to Foreign Office, No. 923, 31/10/49; Consul General Urquhart, Shanghai to Peter Scarlett, Foreign Office, Confidential Letter, 2/11/49; Consul General Urquhart, Shanghai to Foreign Office, No. 945, 5/11/49; Hutchinson, Nanjing, to Foreign Office, No. 1884, 12/11/49, forwarding Tianjin to Nanjing, No. 188, 5/11/49; Hutchinson, Nanjing, to Foreign Office, No. 1969, 23/11/49, forwarding Tianjin to Nanjing No. 192, 12/11/49; Minute on the above by, P.D. Coates, Foreign Office, 25/11/49; Consul General Urquhart, Shanghai to Hutchinson, No. 468, 9/11/49.

⁷³ TNA FO 371/75868, British commercial interests; Consul General Urquhart, Shanghai to Foreign Office, No. 1036, 2/12/49.

⁷⁴ William Charles Gomersall Obituary, *Electrical Engineers, Journal of the Institution of*, Volume: 6, Issue: 70, p. 605.

⁷⁵ TNA FO 371/83344, British Commercial Policy in China: Trading conditions and positions of British firms in China, 1950; Consul General Urquhart, Shanghai, to Stevenson, Nanjing, Confidential letter, 6/12/49.

In conclusion we are anxious to serve the Chinese government and people. It is a function of the merchants to provide for the needs of the State ... It will be a great privilege if we can use that confidence to promote and develop new industries for the service of the people and government of China.⁷⁶

In a later meeting at the Foreign Office, Gomersall reportedly said that the CCP were 'very suspicious,' but also that Britain had done little to counter such suspicions. They had been damaged through association with American hostility towards 'New China.'⁷⁷ His proposal for increased investment was apparently 'met with unanimously unfavourable reactions from all the departments consulted.' When British resources were overstretched throughout Asia there could be no justification for sending 'good money after bad'.⁷⁸

The establishment of the PRC

The establishment of the People's Republic of China was announced in Beijing on 1st October 1949. The Soviet Union and its Eastern European satellites quickly recognised the new regime.⁷⁹ Soviet aid and expertise could now flow openly to the CCP without controversy. 'New China' would be a 'New Democracy,' a 'People's Democratic Dictatorship' with the CCP as the vanguard party. New Democracy, a concept first discussed by Mao in 1940, called for a period of transition in which a broad national consensus would prevail and economic reconstruction would be emphasised. Explicitly communist or socialist goals were postponed.⁸⁰

The concept of New Democracy was imported from the USSR: consensus, camouflage and gradualism were urged on the Chinese by Soviet advisors. The Soviets had learnt from their own experience of seizing power as a minority faction. They had fought a long civil war to secure their very survival. The economic basis of New Democracy bore many similarities to the period of the 'New Economic Policy' in Russia (1921-28), when Lenin sought to correct

⁷⁶ TNA FO 371/75868, British commercial interests; Consul General Urquhart, Shanghai to Foreign Office, No. 1036, 2/12/49. Original emphasis.

⁷⁷ TNA FO 371/83346, British Commercial Policy in China: Trading Conditions and Positions of British Firms in China, 1950; Foreign Office Minute, Denning, 29/4/50.

⁷⁸ TNA FO 371/83347, British Commercial Policy in China: Trading conditions and positions of British firms in China, 1950; J.S.H. Shattock Memorandum, 5/5/50, on Board of Trade to Shattock, 3/5/50; G. Bown, Board of Trade to Shattock, Foreign Office, 3/5/50.

⁷⁹ Zhou *et al.*, *Shanghai waishi zhi*, p. 310.

⁸⁰ Mao, 'On New Democracy,' pp. 338-84; Mao 'On the People's Democratic Dictatorship'; Kirby, 'Continuity and Change,' pp. 133-5.

the Bolsheviks' previous radicalism and to undertake more moderate change under state capitalism. New Democracy in China was not a corrective measure, but a long-term strategy.⁸¹

New Democracy included a political element largely missing from the Russian model. New Democracies were installed throughout Eastern Europe in the wake of the Red Army in 1945. Takeovers were camouflaged so that local citizens and Western governments were unclear as to what was happening. The Communists, with their ruthlessness and Leninist discipline, quickly overcame the disorganised, liberal opposition. The opposition were picked off one by one, using what the Hungarian Communist leader Mátyás Rákosi called 'salami tactics.' East German Communist leader Walter Ulbricht summed up these camouflaged takeovers, saying 'It's got to look democratic, but we must have everything in our control.'⁸² In China, famous democrats like Song Qingling, the well-loved and respected widow of Sun Yat-sen, were brought into the government. Song's endorsement carried a lot of weight at home and abroad, but Mao described her in private as 'fully subordinate.'⁸³

The new government produced a new provisional constitution called the 'Common Programme' (*Gongtong Gangling*, 共同纲领). Opposition to imperialism was enshrined in Article 3 of this document, which said: 'the People's Republic of China must abolish all the prerogatives of imperialist countries in China.'⁸⁴ A new Ministry of Foreign Affairs was established. The Ministry was to be headed by Zhou Enlai with Zhang Hanfu as one of three Vice-Ministers. His position in Shanghai was taken by Huang Hua, who had been running the Nanjing FAD.⁸⁵

⁸¹ North, Robert C., 'The NEP and New Democracy,' *Pacific Affairs*, Vol. 24, No. 1, (March 1951), pp. 52-60.

⁸² Thomas T. Hammond, 'The History of Communist Takeovers,' in Thomas T. Hammond (ed.), *The Anatomy of Communist Takeovers* (New Haven and London, Yale University Press, 1975), pp. 1-45; for a vivid account of life in New Democratic Hungary (and an account which bears many similarities to the Chinese experience, despite all the geographical and cultural distance between the two countries) see Faludy, György, *My Happy Days in Hell* (Harmondsworth: Penguin, 2010).

⁸³ CWIHP, Memorandum of Conversation between Anastas Mikoyan and Mao Zedong, 6/2/49.

⁸⁴ 'The Common Program of the Chinese People's Political Consultative Conference' in *The Important Documents of the First Plenary Session of the Chinese People's Political Consultative Conference* (Beijing: Foreign Languages Press, 1949). For an interesting account of the drafting of the Common Programme see Hu Qiaomu, *Hu Qiaomu Huiyi Mao Zedong* [Hu Qiaomu Recalls Mao Zedong] (Beijing: Renmin Chubanshe [People's Press], 1994), pp. 545-561.

⁸⁵ MFA 102-00147-01, *Zhonghua Renmin Gongheguo Waijiao Bu renyuan peibei caoan* [Draft allocation of cadres for Ministry of Foreign Affairs of the PRC]. 19/10/49; SMA B24-2-6, *Shanghai Shi Bianzhi Weiyuanhui guanyu Shifu zhishu bumen zuzhi guicheng, jigou bianzhi yijian fangan deng wenjian* [Shanghai Municipality Reorganisation Committee Planning Documents Regarding Regulations on Restructuring of the Organisation of Bureaux Subordinate to the Municipal Government], January-December 1950; Zhang Hanfu did not formally

Zhou relied on a close group of associates with military backgrounds to run the Ministry in a highly centralised manner. All major decisions were made by him in consultation with Mao. He built a PLA 'in civilian clothes' which conceptualised diplomacy as being one front in the struggle against imperialism.⁸⁶ Below the high-level military figures, the Ministry's cadres were relatively inexperienced. Only 68 of the 248 cadres were classed as 'old cadres'; the other 180 were 'new cadres' who had joined after August 1945. A full 23 per cent of the cadres had at one time been members of 'reactionary organisations' (including the Guomindang). As a group, they were relatively well educated (157 of them had studied at university and 127 could speak English).⁸⁷

In his speech inaugurating the new Ministry on 8th November, Zhou portrayed a world split into two camps: the 'peaceful' camp led by the USSR, and the aggressive, imperialist camp. 'The imperialists see us as enemies,' Zhou declared 'we should similarly see imperialism as the enemy and oppose it.' He also stressed however that they could also make use of relations with imperialist countries. In any case, he suggested (referring to Lenin's theory of imperialism), that imperialism was 'dying capitalism.' It was a 'paper tiger' (*zhi laohu*, 纸老虎), over-stretched, out-dated and due for collapse. Zhou called on the cadres to help speed its demise.⁸⁸

On his arrival in Beijing, Zhang Hanfu was charged with leading a small group that would decide how best to eliminate the remaining foreign presence in China. His experience in Shanghai and with the Kailuan mines made him the perfect man for the job.⁸⁹ As with

begin work in Beijing until December 1950 as both he and Huang Hua had to first finalise their affairs in their respective posts.

⁸⁶ Liu Xiaohong, *Chinese Ambassadors; the Rise of Diplomatic Professionalism Since 1949* (London: University of Washington Press, 2001), pp. 12-15.

⁸⁷ MFA 102-00147-03, *Waijiao Bu ganbu tongji biao* [Statistical chart of Ministry of Foreign Affairs cadres], 9/12/49.

⁸⁸ MFA 102-00147-04, *Waijiao Bu chengli da hui buzhi jihua, hui jilu* [Plan for arrangement, and minutes, of meeting on the establishment of the Ministry of Foreign Affairs], 6/11/49-8/11/49; Zhou Enlai, '*Xin Zhongguo de waijiao*' [New China's Diplomacy] in *Zhonghua Renmin Gongheguo Waijiaobu, Zhou Enlai waijiao wenxuan* [People's Republic of China Ministry of Foreign Affairs; Selected Diplomatic Works of Zhou Enlai] (Zhongyang Wenxian Chubanshe [Central Documents Publishing House], 1990), pp. 1-7; 'the imperialists see us as enemies' (*Diguozhuyi shi dishi women de, women tongyang ye yao dishi diguozhuyi, fandui diguozhuyi*, 帝国主义是敌视我们的, 我们同样也要敌视帝国主义, 反对帝国主义) Zhou was referring to V. I. Lenin, *Imperialism the Highest Stage of Capitalism: a Popular Outline* (London: Martin Lawrence, 1934, first published Petrograd, 1917).

⁸⁹ *Zhang Hanfu zhuan*, pp. 126, 144; it was important to consult also with the various Ministries and Bureaus of trade, security and so on at central and local levels, see MFA 102-00147-05, *Huan Xiang tiyi zuzhi shewai wenti*

Kailuan, stability was paramount. The CCP had much more to lose by forcing the issue than they had to gain by taking over a large number of foreign enterprises all at once. Besides, as Zhou said, the Chinese were in a position of strength: the imperialists had 'nothing they can do against us' (*tamen dui women meiyou banfa*, 它们对我们没有办法).⁹⁰

The mood in Shanghai seemed to have settled, to a degree, after the founding of the People's Republic. The FAD was relatively pleased with its progress. They had managed to avoid any major problems, the leaders reported, but they still faced two main difficulties: firstly, that the tasks they faced were vast and their goals unclear; and secondly that their cadres did 'not have high ideals' (*lixiang biao zhun di*, 理想标准低).⁹¹ They noted that after the establishment of the new government the amount of daily contact that they had with foreigners had decreased. Fewer foreigners were now trying to close their factories and so there were fewer labour disputes to be settled. This indicated to them that foreign businesses wanted to persevere.⁹²

Neither Britain nor America was willing to renounce their former policies towards the CCP; Britain wished to maintain a 'foot in the door' and the Americans remained hostile to the idea of a Communist China. The Shanghai FAD reported that as early as the summer of 1949 they had been purposefully trying to manipulate the 'contradictions' between the British and the Americans.⁹³ The British Secretary of State for Foreign Affairs, Ernest Bevin, was in favour of recognising the CCP as soon as possible in order to secure the strategic position of Hong Kong, to keep Communism from penetrating Malaya, Singapore and the rest of the region, and to secure the British business presence in China. Too long a delay in recognition, he

yanjiu xiaozu wenti ji zhengfu dui ci wenti de yijian [Huan Xiang suggestion on question of forming a small research group for dealing with matters involving foreigners and government's view of this matter], 20/11/49-20/12/49.

⁹⁰ Zhou Enlai, '*Xin Zhongguo de waijiao*' [New China's Diplomacy] in *Zhonghua Renmin Gongheguo Waijiaobu, Zhou Enlai waijiao wenxuan* [People's Republic of China Ministry of Foreign Affairs; Selected Diplomatic Works of Zhou Enlai] (Zhongyang Wenxian Chubanshe [Central Documents Publishing House], 1990), p. 5.

⁹¹ SMA B24-2-1-85, *Shanghai Shi Renmin Zhengfu Junshiguanzhi Weiyuanhui Waiqiao Shiwu Chu zuzhi guicheng (caoan)* [Shanghai People's Government Foreign Citizens' Affairs Department Organisation Regulations (draft)], 20/10/49; The number of cadres had risen to 106 by November 1950, SMA B24-2-6, *Shanghai Shi Bianzhi Weiyuanhui guanyu Shifu zhishu bumen zuzhi guicheng, jigou bianzhi yijian fangan deng wenjian* [Shanghai Municipality Reorganisation Committee planning documents regarding regulations on restructuring of the organisation of bureaux subordinate to the Municipal Government], January-December 1950.

⁹² MFA 118-00046-26, *Shanghai Shi Waiqiao Shiwu Chu Shi-Shiyi Yue gongzuo baogao* [Work report of the Shanghai Foreign Citizens Affairs Department for October-November], 1/11/49-30/11/49.

⁹³ MFA 118-00046-01, *gongzuo baogao*, 30/11/49; Zhou Enlai, *Jianguo yilai Zhou Enlai wengao*, Vol. 3, pp. 642-3.

argued, would make the CCP even more ill-disposed towards Britain and tie them closer to Moscow. Though America would not look favourably on recognition, Bevin feared that without it, British interests might simply have to be surrendered. Recognition would not make the CCP the rulers of China, he commented, for they were that already; it was simply an acknowledgement of that fact, conveying no sense of approval. The British Government recognised the People's Republic on the 6th January 1950.⁹⁴

The CCP, for their part, were in no rush to establish relations with the British, or with any other 'imperialist' power.⁹⁵ A series of conditions had to be fulfilled before relations could be established with any country. Firstly, all ties with the Guomindang had to be severed. Secondly, the CCP had to be convinced of their 'friendly attitude.' Finally, relations had to be 'on an equal footing, mutually beneficial, and based on mutual respect' (*zunshou pingdeng, huli huxiang zunzhong*, 遵守平等互利互相尊重).⁹⁶ John Hutchinson was sent to Beijing as *chargé d'affaires* to begin negotiations. The Chinese would refer to him only as the 'British Negotiating Representative' (*Yingguo tanpan daibiao*, 英国谈判代表), a title that conveyed no recognition of his diplomatic status. After the outbreak of the Korean War, he and his staff were marginalised as negotiations ground to a halt. Relations at the *chargé d'affaires* level were only established in 1954 following the Geneva Conference and the armistice in Korea. Full diplomatic relations were not established until 1972.

The main reason for the delay was that the CCP were unimpressed by Britain's 'unfriendly attitude.' This unfriendliness was made manifest through the participation of British troops in the Korean War, Britain's abstention from votes in the United Nations aimed at ejecting the Guomindang (to allow in the Communists), and their participation in US-led trade sanctions on strategic exports to China.⁹⁷ All that was to come: China's initial reluctance to establish relations was based on the situation in early 1950. At this time, Britain was seen as complicit in the blockade of Shanghai, and attempts by British businessmen to close factories or reduce

⁹⁴ TNA CAB 21/3273, China: recognition; Cabinet: Recognition of the Chinese Government; Memorandum by the Secretary of State for Foreign Affairs [Ernest Bevin], C.P. (49) 214, 24/10/49; Cabinet: Recognition of the Chinese Government; Memorandum by the Secretary of State for Foreign Affairs [Ernest Bevin], C.P. (49) 248, 12/12/49; Cabinet: Recognition of the Chinese Government; Memorandum by the Secretary of State for Foreign Affairs [Ernest Bevin], C.P. (50) 73, 20/4/50.

⁹⁵ Mao, 'Report to the Second Plenary Session,' pp. 361-75.

⁹⁶ MFA 102-00235-01, *Zhonghua Renmin Gongheguo duiwai zhengce* [The Foreign Policy of the People's Republic of China (Outline)], 01/01/51-30/01/51.

⁹⁷ Zhou Enlai, *Jianguo yilai Zhou Enlai wengao*, Vol. 3, p. 358.

workforces were seen by the Shanghai FAD as deliberate attempts to 'manufacture instability' (*zhizao bu'an*, 制造不安).⁹⁸ The Shanghai FAD saw Britain's rumblings about recognition as a 'smokescreen' (*yanmu*, 烟幕) to hide their real intent, which was to preserve their privileges.⁹⁹

Britain was caught between its desire for improved relations with the Chinese and its paramount policy of preserving the Anglo-American alliance. This contradiction in British policy was highlighted when the British were called to settle a dispute between American and Chinese interests. When the People's Republic was established, seventy aircraft belonging to two Guomindang agencies (the China National Aviation Company and the Central Air Transport Corporation) were based in Hong Kong. In November 1949, the directors of the two companies flew to Beijing and announced that the 'planes now belonged to the People's Republic. In December, however, the planes were sold by the Guomindang Government in Taiwan to Civil Air Transport Inc., an American company represented by Lieutenant General Claire Chennault.

In April 1950, the Chief Justice of Hong Kong ruled that the 'planes belonged to Beijing. American representatives in London then suggested that that post-war aid to Britain might be imperilled by such a decision.¹⁰⁰ In light of this, the British Government instructed the Governor of Hong Kong to detain the 'planes.¹⁰¹ After much legal wrangling, the 'planes were eventually handed over to the Americans in 1952.¹⁰² This overtly political decision did little to convince the Communists that Britain was a friendly power.

⁹⁸ MFA 118-00046-12, *gongzuo baogao*, 21/9/49.

⁹⁹ MFA 118-00046-26, *zonghe baogao*, 4/11/49.

¹⁰⁰ TNA FO 371/83345, British Commercial Policy in China 1950: Trading conditions and positions of British firms in China, 1950; China Association Bulletin, No. 50, 20/3/50; James T. H. Tang, 'From Empire Defence to Imperial Retreat: Britain's Postwar China Policy and the Decolonization of Hong Kong,' *Modern Asian Studies*, Vol. 28, No. 2 (May, 1994), pp. 329-330; for an overview of the legal aspects of the Hong Kong aircraft dispute see Aristeides Papadakis, 'The Chinese Aircraft in Hong Kong,' *The International Law Quarterly*, Vol. 4, No. 2 (Apr., 1951), pp. 159-177.

¹⁰¹ TNA FO 371/93126, Civil aviation in and through Hong Kong; legal dispute over disposal of Chinese aircraft originally belonging to the China National Aviation Corporation (CNAC) and Central Air Transport Corporation (CATC) in Hong Kong, claimed by the Communist Government of China; American company's claim on the basis of part ownership of CNAC, 1951; Statement of the Present Position of the Chinese Civil Aircraft in Hong Kong; R.F.G. Sarell, 16/2/51, Minute.

¹⁰² TNA FO 371/83345, British Commercial Policy in China 1950; China Association Bulletin, No. 50, 20/3/50.

Three months after they had proffered recognition and relations had still not been established, the British began to worry. Bevin believed that American policy (or absence of a policy other than to 'let the dust settle') towards China had harmed their interests. It was an election year in America and the Democratic administration was under attack from Republican critics, who seized on the 'loss of China' to Communism as proof of the administration's weakness.¹⁰³ At the end of July 1949 the American Ambassador left China. His departure was facilitated by the CCP, who wanted to ensure that he left without incident.¹⁰⁴ In August 1949, the US State Department published a White Paper on China intended to quiet its critics by damning the Guomindang. The Americans were hamstrung in determining their future policy by their outright hostility to the CCP.¹⁰⁵

In July 1949, the American Consulate in Shanghai was besieged and later occupied by Sikh former employees of the US Navy, who demanded improvements to their terms of severance. The American ambassador ascribed the 'near-anarchic' conditions to either a lack of control by the CCP or to their direct connivance.¹⁰⁶ This, coupled with the detention of the consular staff in Shenyang and the arrest of their Vice Consul in Shanghai (discussed in the next section), made Washington fear for the safety of their diplomats and citizens in China. American citizens were encouraged to leave the country.

In January 1950, the Beijing Military Control Committee requisitioned the former US barracks in Beijing and all American consular personnel were withdrawn in response.¹⁰⁷ Relations reached their nadir in December 1950 when, following China's entry into the Korean War, the American Government froze all Chinese assets in America (US\$105.4 million). This effectively ceased economic interaction between the two countries. The Chinese responded by seizing an estimated US\$196 million of American assets in China.¹⁰⁸

¹⁰³ TNA CAB 21/3273, China: recognition; Cabinet: Recognition of the Chinese Government; Memorandum by the Secretary of State for Foreign Affairs [Ernest Bevin], C.P. (50) 73, 20/4/50.

¹⁰⁴ Zhou Enlai, *Jianguo yilai Zhou Enlai wengao*, Vol. 3, pp. 64-7, 641.

¹⁰⁵ Xiang, *Recasting*, p. 226

¹⁰⁶ FRUS, Problems of United States Consulates in Areas Occupied by the Chinese Communists, pp. 1187-1199; Correspondence between Consulate General Shanghai, Embassy Nanjing and State Department; see also, Briggs, 'US Consular Rights,' pp. 246-7.

¹⁰⁷ Hooper, *China Stands Up*, p. 179; TNA CAB 21/3273, China: recognition; Cabinet: Recognition of the Chinese Government; Memorandum by the Secretary of State for Foreign Affairs [Ernest Bevin], C.P. (50) 73, 20/4/50.

¹⁰⁸ Richard T. Devane, 'The United States and China: Claims and Assets,' *Asian Survey*, Vol. 18, No. 12 (Dec., 1978), pp. 1267-79; Zhou *et al.*, *Shanghai waishi zhi*, p. 51; Zhou Enlai, *Jianguo yilai Zhou Enlai wengao*, Vol. 3, pp. 656-702-3; Shao, *China, Britain*, pp. 61-3.

Military control was put in place over the strategically important American-owned Shanghai Power Company and Shanghai Telephone Company. This was not ended until 1954 when they both became state-owned enterprises.¹⁰⁹ Local military governments took control over American property and enterprises.¹¹⁰ On his arrival at the Shanghai Power Company, the military control commissioner was met with celebratory firecrackers. Speeches were made in which the union promised increased vigilance against saboteurs.¹¹¹ From May 1951, the frozen American assets were formally taken over through requisition, purchase or being placed under government custody by decree. By the end of 1952, 240 American firms had been disposed of, representing 94.5 per cent of the total American capital assets in China.¹¹² America's withdrawal from China was portrayed by many in America as a 'lost chance,' but it is clear that by this time both parties were already firmly committed to diverging courses and mutual hostility.¹¹³

With the withdrawal of the Americans and the increased tensions caused by the Korean War came the progressive dismantling of the foreign cultural (or non-business) presence in Shanghai and across China. It is towards the elimination of this part of the foreign presence from 1949 into the early 1950s that this chapter now turns, beginning by addressing the ways in which the CCP demonstrated to foreigners that things had changed in Shanghai.

¹⁰⁹ SMA A38-2-6-3, *Zhonggong Shanghai Shiwei guanyu tongyi Shanghai Shi Renmin Zhengfu Waishi Chu 'guanyu qian Meishang Shanghai Dianli Gongsi yu Shanghai Dianhua Gongsi de jieshu junguan wenti' de pifu* [CCP Shanghai Committee agreement to Shanghai People's Government Foreign Affairs Bureau's approval 'Regarding the question of ending military control over the former American owned Shanghai Power Company and Shanghai Telephone Company'], 1954. Through organisational changes the two companies had in reality become state owned enterprises in all but name before 1954. See also *The Shanghai News*, "Everyone on the Job" now in Shanghai Power Co., 2/2/51 for a propagandistic account of the atmosphere in the power plant following the takeover.

¹¹⁰ Devane, 'The United States and China,' pp. 1267-1279; Zhou *et al.*, *Shanghai waishi zhi*, p. 51; Zhou Enlai, *Jianguo yilai Zhou Enlai wengao*, Vol. 3, pp. 656, 702-3; Shao, *China, Britain*, pp. 61-3.

¹¹¹ *The Shanghai News*, 'Power Co. workers welcome Control Commissioner Chen,' 1/1/51.

¹¹² Shao, *China, Britain*, p. 73; Zhou *et al.*, *Shanghai waishi zhi*, pp. 315-16.

¹¹³ Hooper, *China Stands Up*, p. 60; see also Chen Jian, 'The Myth of America's "Lost Chance"'; Westad, 'Losses, Chances, and Myths,' pp. 105-115.

“You should not treat us with the same attitude you had towards us in the past”:

‘educating’ foreigners in ‘New Shanghai’

Several foreigners were arrested by the CCP in the early period following the takeover. They dealt with these cases in a manner which was intended to set an example to other foreigners and to establish their nationalist and anti-imperialist credentials. Foreigners, they said, were no longer immune from Chinese law. The CCP argued that even though the system of extraterritoriality (under which foreigners in China had been subject to the laws of their own countries and tried in consular courts) had been abolished in 1943, an assumption of immunity from Chinese justice still prevailed. The Guomindang had, it was said, failed to defend Chinese sovereignty and had pandered to the foreign imperialists.¹¹⁴ The CCP would transform Shanghai from a playground for foreigners into a sovereign Chinese city. The CCP were certainly anxious to demonstrate their new attitude towards foreigners, but it should also be remembered that they relied on foreigners to give them the opportunity to do so. The Political Bureau of the 9th Army reported that soon after their entry into the city the behaviour of foreigners had quickly improved, but there had still been cause to discipline them because they were:

... accustomed to behaviour that oppressed the people, they often explode and beat people, don't follow our government's orders and even go so far as to insult our soldiers.¹¹⁵

The first major case arose on 21st June 1949, when a British employee of the British-owned Shanghai Electric Construction Company (the British Tram Company) named Bill Matheson allegedly assaulted a Chinese worker named Wang Zhenguo (王振国). Matheson had worked for the company for 25 years. According to one employee, he was ‘hated to the bone’ (*henzhirugu*, 恨之入骨) by the Chinese employees of the company because of his imperialist

¹¹⁴ MFA 118-00046-11, *Shanghai Shi Waiqiao Shiwu Chu liu-qi yue gongzuo baogao (fu jian shier; Shanghai Waiqiao Shiwu Chu jieguan gongzuo jianbao)* [Work report of the Shanghai Foreign Citizens Affairs Department for June-July (Appendix 12; Concise report on the takeover work of the Shanghai Foreign Citizens Affairs Department)], 1st June 1949- 30th November 1949.

¹¹⁵ MFA 118-00046-10, *Shanghai Shi Waiqiao Chu liu-qi yuefen gongzuo baogao (fujian shi)*, 1/6/49-30/11/49; *Di Jiu Bingtuan Zhengzhi Bu Waishi Gongzuo Baogao*, 15/7/49; *Wo ge bu duizi jinru Shanghai yilai, you 5 yue 26 ri qi dao 7 yue 10 ri zhi de 45 tian zhong*. [Shanghai Foreign Citizens Affairs Department Work Report for June-July (Appendix 10) 1/6/49-30/11/49; The 9th Army Group Political Bureau Foreign Affairs work report, 15/4/49; From the entry of our forces into Shanghai, from 26th May to 10th July]; ‘...accustomed to behaviour...’ (*Suiran bi Jiang guan shiqi shi dada de jianshao le, danshi xiguan le yapo renyuan xingwei, shishi hui baoda da ren bu zunshou zhengfu de faling, shenzhi wuru wo junren*, 虽然比蒋管时期是大大的减少了, 但是习惯了压迫人民的行为, 时时会爆发打人不遵守政府的法令, 甚至污辱我军民).

attitude.¹¹⁶ Wang had asked Matheson for sick leave, reported the CCP's official Shanghai newspaper, the *Jiefang Ribao* (*Liberation Daily*, 解放日报):

Matheson said to him arrogantly, "you have to work even if you are sick. If you don't work, you will not get your pay." Wang said "You should not treat us with the same attitude you had towards us in the past." On hearing that, Matheson started to display his skill in boxing and struck Wang a violent blow on his head. One of Wang's front teeth was knocked off, his lips bruised, and his face bled profusely. His uniform as well as the clothes of an interpreter (Mei Wenliang, 糜文良), were smeared with blood. Though Wang tried his best to dodge, yet the Britisher continued the attack and struck him again on his forehead, whereupon Wang was further wounded and at last fainted. Matheson dragged him out of the office and the plight of the victim was distressful beyond description.

The newspaper reported that Matheson had previously assaulted another worker, named Shu Guiqing (舒贵卿), but the Guomindang had not held him to account.¹¹⁷ Following the incident, Matheson had apparently claimed immunity from arrest because he was a British national.¹¹⁸ In the newspaper's allegorical reporting, Matheson as an individual embodied imperialism as a concept, and the CCP were quick to be seen to punish him. Through Matheson's actions the imperialists had been proved violent and irrational: they were clearly unwilling to give up their old status peacefully. If Matheson represented imperialism, then Wang represented the Chinese people. Union representatives were reported as saying:

The assaulting and insulting of the worker of the Shanghai Tramway Company by Matheson should be regarded as tantamount to the assaulting and insulting of all the workers in Shanghai as well as the insulting of all the workers in China.

In the newspaper's reporting of this case it was the response of Wang's fellow workers that prompted the CCP to action. While Matheson was taken away by the police (and later

¹¹⁶ MFA 118-00046-08, *Shanghai Shi Waiqiao Chu liu-qi yuefen gongzuo baogao (fujian ba)*, 1/6/49-30/11/49 [Shanghai Foreign Citizens Affairs Department Work Report for June-July (Appendix 8)].

¹¹⁷ 'British-Owned Shanghai Tramway Company Employees Demand Punishment of British Inspector for Beating up Workers,' *Jiefang Ribao*, 21/6/49 reprinted in 'Chinese Press Review', Shanghai (translations done by the American Consulate in Shanghai, No. 916, June 21, 1949, p. 12); see also Zhou Erfu, 'Chen Yi tongzhi jiekai xin Shanghai lishi di yi ye' (Comrade Chen Yi opens the first page of New Shanghai's history) in *Chengshi Jieguan Qinli Ji*, pp. 572-4; this quite recently published secondary account is fairly typical of the still quite ideologically tinged accounts of this period prevailing in China, Wang's condition is described evocatively as 'badly mangled' (*xuerou mohu*, 血肉模糊). The characters of this set phrase literally mean 'a confusion of blood and flesh.'

¹¹⁸ 'Various circles continue to protest against Shanghai Tramway Company Assault Incident; Demand Punishment of Matheson,' *Jiefang Ribao*, 23/6/49, Chinese Press Review (Sh.) No. 918, 23/6/49, p.8.

released on bail), the company's 300 Chinese workers 'spontaneously' held a meeting to discuss the incident and call for an apology. In re-arresting Matheson on the 23rd June, the CCP were therefore seen to be exercising the will of the people. While popular revulsion towards the reported assault would not be surprising, the 'spontaneity' of these protests seems very artificial.¹¹⁹

On taking him into custody the CCP found that Matheson took an 'arrogant' (*aoman*, 傲慢) attitude. He completely denied having hit Wang. They began by 'forcefully educating' (*you liliang de jiaoyu*, 有力量的教育) him in CCP policy, stressing that 'any imperialist who committed a wrongdoing and who refused to repent had to be punished, no-one could be spared' (*duiyu renhe diguozhuyi fan le cuowu bu si huigai zhe dou yao jiayi yanli de zhicai, juebu rao ren*, 对于任何帝国主义犯了错不思悔改者都要加以严厉的制裁, 决不饶人).¹²⁰

The British Consul was denied access to Matheson because his official position was not recognised.¹²¹

The translator, Mei, was interrogated several times. He continuously protested Matheson's innocence, saying that in fact, Wang had torn Matheson's tie and had tried to bite him, injuring himself in the act. Mei's defence of the imperialist brute was described in reports sent to Beijing as 'shameless' (*wuchi*, 无耻) and he was branded a 'running dog' (*zougou*, 走狗). The affair concluded on the 8th July with Matheson being released after making a statement of regret.¹²² He was promptly dismissed. Wang was paid compensation.¹²³

¹¹⁹ 'British-Owned Shanghai Tramway Company Employees Demand Punishment of British Inspector for Beating up Workers,' *Jiefang Ribao*, 21/6/49 reprinted in 'Chinese Press Review,' Shanghai (translations done by the American Consulate in Shanghai, No. 916, p. 12); 'Clerical Staff and Workers of Shanghai City Transit Company and Shanghai Telephone Company Demand Severe Punishment for Matheson,' *Jiefang Ribao*, 22/6/49 reprinted in Chinese Press Review (Sh.) No. 917, p.1.

¹²⁰ MFA 118-00046-08, *gongzuo baogao*, 1/6/49-30/11/49.

¹²¹ Hansard, 'British Subject, Shanghai (Imprisonment),' HC Deb 18/7/49, vol 467, cc965-6.

¹²² MFA 118-00046-08, *gongzuo baogao*, 1/6/49-30/11/49.

¹²³ 'Matheson arrested for assaulting tram inspector,' *Shang Bao* [Shanghai Chamber of Commerce Organ], 26/6/49, Chinese Press Review (Sh.) No. 920, p.14; 'Shanghai Tramway Company Tenders Apology to Clerical Staff and Workers; Matheson Discharged,' *Da Gong Bao*, Shanghai, 3/7/49, Chinese Press Review (Sh.) No. 925, p.9.

Figure 7: Bill Matheson apologises to Wang Zhenguo



Hungarian historian István Rév has argued that being seen to rectify past injustices was central to establishing the legitimacy of communist governments. People involved in ‘show trials’ represented whole political classes, defined by their relationship to the state, and to the current moment in history. All classes and groups were assigned either positive or negative historical and social roles. It was not only in China that Western nationals were imprisoned by Communist authorities. It was estimated that over forty British nationals had been arrested in the USSR, Poland, Czechoslovakia and elsewhere in the communist world between 1945 and 1950. The most famous of these was Edgar Sanders, a British businessman who was arrested in Hungary on espionage charges. He was sentenced to thirteen years imprisonment, but he served only three.¹²⁴ In punishing British nationals in this way, justice, propaganda and state legitimacy were all combined. The brief incident involving Matheson at the British Tram Company was inflated to represent one hundred years of Sino-British relations: Matheson represented aggressive, bullying imperialism and Wang represented the Chinese

¹²⁴ István Rév, ‘In Mendacio Veritas (In Lies there Lies the Truth),’ *Representations*, No. 35, Special Issue: Monumental Histories (summer, 1991), pp. 1-20; Hansard, Eastern Europe (Imprisoned British Subjects), HC Deb, 14/6/50, vol. 476 cc186-7; Hansard, Hungary (British Subject, Sentence), HC Deb, 13/3/50, vol. 472 cc23-4W.; Vera Pécsi, ‘The Standard Electric Trial,’ *The Hungarian Quarterly*, Vol. XLII No. 162, Summer 2001.

people. It was not uncommon for working-class white males to act violently against Chinese subordinates (indeed, the case was very much in the pattern of the Woithe case discussed in Chapter One), or even to consider themselves racially or socially superior, but it remains likely that the extent of both the assault and the scale of popular anger were greatly exaggerated.¹²⁵

In early December 1949 a similar case occurred in Beijing. A middle school teacher named Miss B.F. Rudd was accused of insulting, and spitting on, several Chinese students, one of whom had spat on her classroom floor. In a similar pattern to the Matheson case, there was a 'spontaneous' outcry from local schools and popular institutions and Rudd was suspended from teaching. The head of the European section at the Ministry of Foreign Affairs Huan Xiang (宦乡) suggested that she be made to apologise in front of the students, and that if she refused to do so, she be arrested and held for four days. He said that he thought it preferable to use her as an example rather than actually punish or detain her. Eventually she apologised and left China.¹²⁶

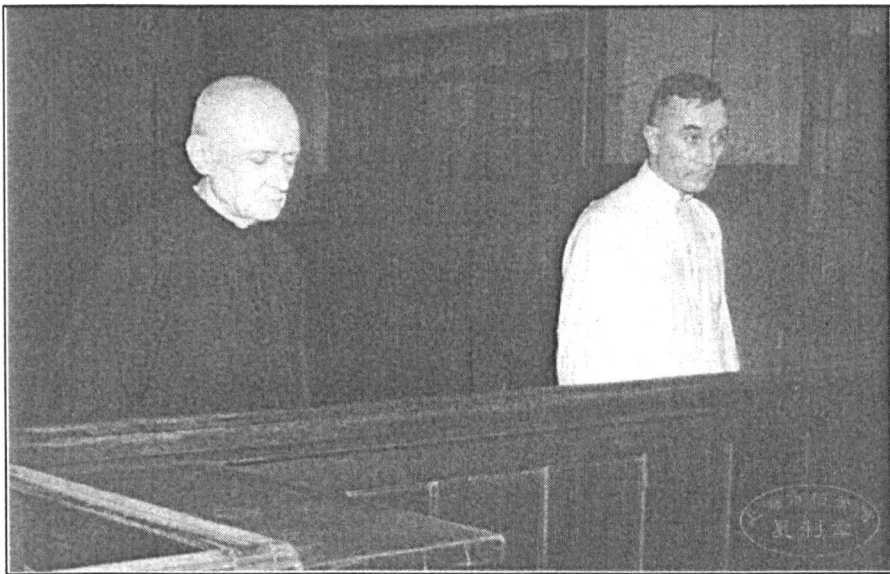
On the afternoon of the 6th July an enormous parade was held in Shanghai to mark the 'Liberation' of the city and to commemorate the Lugouqiao Incident (*Lugouqiao shibian*, 卢沟桥事变) which marked the start of China's 1937-1945 war with Japan. This parade was an huge affair, watched by some 1.5 million people.¹²⁷

¹²⁵ TNA FO 371/75942 Position of British subjects in China: Evacuation from Shanghai, 1949; Foreign Office Minute, 23/7/49, British Communities in China: Recommendations for the speech of the Secretary of State; the Foreign Office commented on this case: 'There is however a marked tendency to magnify any incident in which foreigners are involved, as in the recent case of Mr. Matheson, a British subject employed in Shanghai, who was arrested and confined for three weeks on a petty case of alleged assault.' For another example see the case of the Chief Engineer Oxnard who was arrested for assaulting a Chinese crew member in July 1950; TNA FO 369/4437, China: arrest and detention of British subjects, 1950; Arrest of Chief Engineer of S.S. Lansdowne at Taku Bar, Consul General Tianjin to Foreign Office, 4/7/50.

¹²⁶ MFA 118-00342-01, *Guanyu Beijing Yingguo jiaoshi Rui Delan wuru xuesheng an de chuli shi* [Regarding the resolution of the case of British teacher Rudd bullying students in Beijing], 7/12/49-9/12/49; TNA FO 371/83513, "Trial of Miss B.M.F. Rudd on charges of insulting behaviour to students," 1950; W.G. Graham, British Consulate-General, Beijing to Embassy, Nanjing, 3/1/50; W.G. Graham, British Consulate-General Beijing to Chargé d'Affaires ad interim, Nanjing, 20/1/50; Rudd was quoted as saying 'After introspection and education, I have discovered my conceited attitude and ill-directed thoughts. I further have discovered that the source of my reactionary thinking was the contempt for the Chinese people entertained by the imperialists.'

¹²⁷ Braester, "A Big Dying Vat," p. 414.

Figure 8: Two unidentified foreign men face trial in a Shanghai court



File name reads 'Shanghai Military Control Committee declares 'sentence of deportation for imperialists''

During the parade, the American Vice Consul William Olive was arrested and charged with disobeying the police. Allegedly, Olive had ignored traffic policemen and had obstructed the parade route. Olive had been driving on one of Shanghai's main roads before being diverted down a side street by soldiers. Finding the narrow street blocked by carts, he sounded his horn. A group of heavily armed soldiers appeared. Apparently angered by the sight of Chinese coolies making way for a foreign imperialist, the soldiers sent Olive back to the main road. He was again halted. The same soldiers reappeared and continued to harangue him.¹²⁸

Faced with what they termed Olive's 'extremely arrogant attitude' (*taidu shifen aoman*, 态度十分傲慢) the police took him to the Tilanqiao (提篮桥) Police Station where he refused to state his name or nationality. As they had no clear instructions on how to deal with these matters, the local police sent for instructions from headquarters. While waiting for a reply it was decided to put Olive temporarily in a holding cell. He resisted. He lost his balance, knocked over an ink bottle and accidentally struck a soldier. The police said that he had beaten the soldier 'in a barbarous manner' (*yeman da ren*, 野蛮打人).¹²⁹

¹²⁸ Foreign Relations of the United States, Problems of United States Consulates [FRUS], pp. 1220-2, John Cabot to Secretary of State, 9/7/49.

¹²⁹ FRUS, Problems of United States Consulates, p. 1221; MFA 118-00046-03, *Shanghai Shi Waiqiao Shiwuchu liu -qi yuefen gongzuo baogao (Fujian san) Weilianmu Oulifu wei jing an* [Shanghai Foreign Citizens Affairs

The scene was witnessed by a Sikh guard from the Italian Consulate named Boor Singh, who later related the course of events, as he witnessed them, to Olive's consular colleagues. Olive had, Singh said, hit the front counter two or three times with his hands in indignation at having been arrested. He was a consular official, and his traffic violation was not his fault. After Olive had hit the counter, one of the guards had moved to restrain his arm. Olive grabbed at the items on the counter, splashing ink over his face and over the guard's uniform. At this point, blows were exchanged. He was knocked to the floor, handcuffed and kicked. One of the officers drew his gun and threatened to shoot, at which point Olive, begging for mercy, was thrown bodily into a cell.¹³⁰ Once he was in the cell he relented and told them his name and official position.¹³¹ Under the non-recognition policy, his position was not recognised. When a few of his consular colleagues went to the police station to free him, their position was also not recognised. They were detained and humiliated in front of a large crowd by a 'loud and aggressive' Communist cadre before being allowed to leave.¹³²

The next day, Olive was questioned, and unlike Matheson, he apologised straight away for having lashed out, though according to the questioners he still 'tried to put the responsibility on us' (*hai xiang ba zeren tui gei women*, 还想把责任推给我们). After a long struggle in which 'his imperialism had been attacked' (*ta de diguozhuyi shoudao daji*, 他的帝国主义开始受到打击), Olive agreed to sign a statement admitting his guilt. Logically this was the only way he could escape the situation. He was made to draft four different statements and was photographed.¹³³ He had been forced to maintain a painful crouched position with guns pointed at him for hours on end, kept in a solitary confinement cell, subjected to a 'farcical trial' and given only a little bread and water.¹³⁴

The CCP leaders wished to avoid a major dispute with a foreign government and so the police were instructed to deal with Olive using more 'lenient measures' (*kuanda banfa*, 宽大办法). The next morning, the police reported in internal documents, they were less severe as

Department Work Report for June-July (Appendix 3) [Case of William Olive disobeying the police], 1/6/49-30/11/49.

¹³⁰ FRUS, Problems of United States Consulates, pp. 1202-6, 1337, John Cabot to Secretary of State, 7/7/49; 1227.

¹³¹ MFA 118-00046-03, *Weilianmu Oulifu wei jing an*, 1/6/49-30/11/49.

¹³² FRUS, Problems of United States Consulates, pp. 1202-6, John Cabot to Secretary of State, 7/7/49.

¹³³ MFA 118-00046-03, *Weilianmu Oulifu wei jing an*, 1/6/49-30/11/49.

¹³⁴ FRUS, Problems of United States Consulates, pp. 1220-2, John Cabot to Secretary of State, 9/7/49.

they ‘educated’ (*jiaoyu*, 教育) him, and allowed him to wash and smoke. He was asked to apologise to the man he hit, pay compensation and thank the government for their lenient treatment before being allowed to leave on the 9th July.¹³⁵ His statement of regret was published in all the major newspapers the next day.¹³⁶ The CCP made a point of demonstrating to the city’s Chinese residents that unlike the subservient Guomindang, the CCP were willing to stand up to foreign imperialists. Mayor Chen Yi commented that the Olive case demonstrated that ‘no matter if they are an American or a Briton, if they violate China’s laws in China, they can be punished!’¹³⁷

Whereas in Shenyang the position of other American consular personnel had previously not been recognised, the Communists had now gone so far as to arrest and physically assault an American official. The American Consul General reported to Washington that ‘this grim affair impressively confirms my conviction that no American is now safe in China.’¹³⁸ The doctor who examined Olive found eighteen separate instances of physical violence caused by beating with rifle butts and kicking. He also found Olive to be traumatised by his feelings of humiliation because he had been forced to sign a confession. The doctor advised he ‘be removed soonest and placed in area free from any traces of Chinese or Communism.’¹³⁹ Olive was removed from China as soon as possible; his next posting was to Jamaica.¹⁴⁰

In China, as elsewhere in the Communist world, the legal system was used to make political points, imbuing it with an element of tragic farce. Politics and propaganda took priority over actual guilt or innocence (though in all the cases above the CCP did have some cause to take action). The point of the Communist way of doing things was not to find the truth and deliver justice, but to demonstrate the power of the state and to teach political lessons.¹⁴¹ The Olive case was again used for political purposes in 1963 when the incident featured in the propagandistic film *Sentinels Under Neon Lights*.¹⁴²

¹³⁵ MFA 118-00046-03, *Weilianmu Oulifu wei jing an*, 1/6/49-30/11/49.

¹³⁶ Zhou *et al.*, *Shanghai waishi zhi*, p. 310.

¹³⁷ Zhang Hanfu zhuan bian xie zu, *Zhang Hanfu zhuan* [Biography of Zhang Hanfu] (Shijie Zhishi Chubanshe [World Knowledge Press], 2003), pp. 127-8 (*buguan Meiguoren Yingguoren, zai Zhongguo weifan le Zhongguo de faling, jiu zhicai ta!* 不管美国人英国人, 在中国违犯了中国的法令, 就制裁他!).

¹³⁸ FRUS, Problems of United States Consulates, pp. 1199-1223, John Cabot, to the Secretary of State, 9/7/49.

¹³⁹ *Ibid.*, p. 1227.

¹⁴⁰ *Ibid.*, p. 1235-6; Ambassador Stuart to the Secretary of State, Nanjing, 18/7/49.

¹⁴¹ Rèv, ‘In Mendacio Veritas,’ pp. 1-20.

¹⁴² Braester, “A Big Dying Vat,” p. 439.

Foreign newspapers and films

The CCP viewed news and its dissemination as a tool to be employed not only in shaping the ideological climate, but also as means to achieving specific political goals. The CCP, like other communist parties, sought to eliminate dissonant voices from the public sphere and to monopolise the supply of information. In October 1949, the Shanghai People's Government News Department defined their three main tasks as follows: firstly, to receive journalists and explain the CCP's policies to them; secondly, to distribute important announcements by the government; and thirdly, to check published newspapers and magazines as well as correcting drafts before publication to remove 'inappropriate aspects' (*bu tuodang zhi chu*, 不妥当之处).¹⁴³ There was little distinction made between the methods of producing news and those of producing propaganda.

In March 1949, two months before the takeover, there were 49 newspapers and 302 magazines (of various qualities) being published in Shanghai. Between 500,000 and 700,000 newspapers were being sold every day.¹⁴⁴ There were three foreign newspapers remaining after the takeover: the British-owned *North China Daily News* ('the Old Lady on the Bund') and two American-owned papers, the *Shanghai Evening Post and Mercury* and the *China Monthly Review*.¹⁴⁵ All of these papers had been struggling to survive under the weight of inflation and Guomindang censorship.¹⁴⁶ While the Guomindang had censored and licensed, the CCP would employ more direct means of control. Newspapers had little or no editorial freedom and those that could not be controlled would be closed. On the 28th May the new authorities issued instructions on the operation of all newspapers. Among other points, the reporting of military secrets, the spreading of rumours, and libel of the new regime were all

¹⁴³ SMA B24-2-1-85, *Shanghai Shi Renmin Zhengfu Junshiguanzhi Weiyuanhui Xinwen Chu zuzhi guicheng (caoan)* [Shanghai People's Government News Department organisation regulations (draft)], 20/10/49.

¹⁴⁴ 'Shanghai gaikuang,' p. 14.

¹⁴⁵ For a general historical outline of newspapers in Shanghai see Shanghai Xinwen Zhi Bianzuan Weiyuanhui [Record of News in Shanghai Compilation Committee], *Shanghai Xinwen Zhi* [Record of News in Shanghai] (Shanghai, Shanghai Shehui Kexueyuan Chubanshe [Shanghai Academy of Social Sciences Publishing House], 2000).

¹⁴⁶ Gould, 'Shanghai during the Takeover,' p. 182; on Guomindang censorship see TNA FO 953/577, Quarterly reports from Shanghai, 1949; Information Department of the British Embassy, Report for the quarter ending 30th September 1948; Report for the quarter ending 30th December 1948; and Wakeman, 'Licensing Leisure,' pp. 29, 33.

forbidden.¹⁴⁷ Shanghai papers owned by the former government or the 'four big families' were taken over and their plant was used to produce the CCP's own papers.¹⁴⁸

On the 15th July, the news organisations attached to the British and American Consulates General in Shanghai were ordered to close.¹⁴⁹ The British service's role had been to advance Britain's standing in China through the dissemination of positive news, showing films, providing reading materials and organising events such as photography exhibitions.¹⁵⁰ The CCP Central Committee had described these foreign news agencies in January 1949 as 'one of the most important weapons of the imperialists in distributing reactionary propaganda' and their news output was banned in all 'liberated' areas.¹⁵¹ They saw the foreign information services as propaganda organs, and perhaps this view was valid to a degree, for while the British consciously avoided attacking communism in their propaganda, they did seek to 'advertise' the 'benefits of existence in a genuine democracy' so as to 'induce thoughtful comparison'.¹⁵²

After the establishment of the PRC, all foreign journalists from non-recognised countries were prohibited from working in China.¹⁵³ With the closure of foreign news agencies and information services, the New China News Agency (*Xinhua Tongxunshe*, 新华通讯社) became the sole provider of news content (with help from the Soviet TASS agency). The Communists argued that only the Chinese Government could provide news that 'suited the Chinese people's best interests' (*fuhe Zhongguo renmin de liyi de*, 符合中国人民的利益) and that was free from the imperialists' 'rumour mongering, smear and slander' (*zaoyao*,

¹⁴⁷ Zhou *et al.*, *Shanghai waishi zhi*, pp. 48-50; He *et al.*, *Shanghai waishi sishi nian*, p. 10.

¹⁴⁸ Neil L. O'Brien, *An American Editor in Early Revolutionary China: John William Powell and the China Weekly/Monthly Review* (New York: Routledge, 2003), pp. 182-3.

¹⁴⁹ TNA FO 953/579, Closing down by communists of British and United States Information Services in China, 1949; Consul General, Shanghai to Foreign Office, No. 564, 15/7/49.

¹⁵⁰ TNA FO 953/577, Quarterly reports from Shanghai, 1949; Information Department of the British Embassy, Report for the Quarter Ending 30th September 1948; Report for the Quarter Ending 30th December 1948. In the quarter ending 30th December 1948 films loaned by the information department were seen by a total audience of 616,522 people.

¹⁵¹ SMA D2-0-671-1, *Zhongyang dui Diguo zhuyi tongxunshe chuli de zhishi* [CCP Central Committee instructions on dealing with imperialist news agencies], January 1949; 'one of the most important weapons ...' (*Diguo zhuyi guojia de tongxunshe, shi diguo zhuyi jinxing fandong xuanchuan de zui zhongyao de wuqi zhi yi ...*, 帝国主义国家的通讯社, 是帝国主义进行反动宣传的最重要的武器之一 ...).

¹⁵² TNA FO 1110/194, China: consideration of recent developments; UK policy, 1949; Sir R. Stevenson, Nanjing to Foreign Office, No. 36, 17/1/49; D. MacFarlane, First Secretary (Information), Embassy, Nanjing to Information Research Department, 25/1/49; TNA FO 1110/195, China: consideration of recent developments; UK policy, 1949.

¹⁵³ Zhou *et al.*, *Shanghai waishi zhi*, p. 49.

wumie, feibang, 造谣, 污蔑, 诽谤). One CCP report noted that Chinese liberal intellectuals and bourgeois elements (*ziyou zichan jieji*, 自由资产阶级) may think the coverage provided by New China News too sparse, too slow and not 'to their tastes' (*bu he tamen de kouwei*, 不和他们的口味), but the government's aim was to present news to the broad masses of the workers.¹⁵⁴

None of the foreign newspapers lasted long in the intense political climate of early Communist Shanghai. They were also hit by declining circulation figures as the foreign population departed. On the 14th June, the editor of the *Shanghai Evening Post and Mercury* Randall Gould was involved in a dispute with the paper's union. When he refused the workers' demands and attempted to leave the building, Gould found his exit blocked. He was then locked in his office. In a rage, he then threatened to close down the paper until order was restored. Eventually, representatives of the General Labour Union arrived and negotiated Gould's release, in exchange for his promise that the paper would open as normal the next day and that he would participate in a dispute resolution process. The next day, with negotiations due to start, the paper's staff protested at a news article penned by Gould bemoaning the lack of a government standard for a new wage formula. Gould refused to have the paper's contents dictated to him by the union and ordered it be printed 'as was' before leaving for home. Just as the Communists had taken control over the Chinese press, so he believed, they had now gained control over the paper's previously well-behaved staff.

As he could not operate independently, he announced his resignation from the post of editor and the closure of the printing press, effective on the 1st July. Over the next several weeks, Gould and the other foreign staff were vilified in the Chinese press, locked in their offices, and harassed in the streets. He was then accused of injuring four workers who were 'presenting their grievances' at his home. In fact, it was they who had sought to storm the house. Like Matheson, Olive and the others, Gould was forced to issue an apology. The workers eventually agreed to a pay-off, the paper was closed, and he left Shanghai.¹⁵⁵

¹⁵⁴ SMA D2-0-671-1, *Zhongyang dui Diguo zhuyi tongxunshu chuli de zhishi*.

¹⁵⁵ Gould, 'Shanghai during the Takeover,' pp. 185-190; FRUS, Problems of United States Consulates, pp. 1170-1, 1180-1, 1192-6; 'Zhongyang guanyu Da Mei Wan Bao tingkan shi gei Shanghai Wei de dianbao' [CCP Central Committee telegram to Shanghai Committee regarding the issue of the Shanghai Evening Post and Mercury ceasing publication], 30/6/49, in Zhou Enlai, *Jianguo yilai Zhou Enlai wengao*, Vol. 1, p. 38.

Shortly after the trouble at the *Post* began, Shanghai's oldest foreign newspaper, the *North China Daily News*, published a front-page story stating that the Guomindang had laid mines in the river and that all shipping had ceased. The story was based on reports from river pilots who had apparently seen Guomindang ships laying mines. Shipping had indeed been stopped several hours before the *News* was published, but when it was discovered several days later that there were in fact no mines and that the halt had been unnecessary, the paper's editor R.T. Peyton-Griffin was held to account. He was forced, in the familiar manner, to make a personal apology on the front page of his newspaper. From then on, the paper was forced into self-censorship.¹⁵⁶ On the 1st September 1949, Peyton-Griffin applied to be allowed to close the *News*.¹⁵⁷ The apology and his submission to censorship were very much seen as a personal humiliation for Peyton-Griffin, who was in ill-health after having suffered a serious accident. He died in December 1950. After two years of censorship and labour disputes, the *News* was eventually permitted to close in April 1951.¹⁵⁸

The editor of the only remaining foreign paper, the *China Monthly Review*, John William Powell, took a different tack entirely. Powell was critical of the way the *Post* and the *News* had not adapted to new circumstances. He believed that his paper could serve as a bridge for mutual understanding between China and the West and he lobbied hard for the American Government to recognise New China. Powell's sympathetic attitude towards the new regime and his leftist views left him open to attack from anti-Communists, both in Shanghai and at home. When he returned to America, he was caught up in the anti-communist fervour of the early 1950s. The 'Red scare' had been intensified by the apparent 'brain-washing' of American POWs in Korea (whose pro-Communist and anti-war messages he had published). He faced trial for aiding the enemy with his reporting of the alleged use of bacterial warfare by the American military in North Korea and China.¹⁵⁹

Just as foreign newspapers were closed down, so were foreign films eventually exorcised from the cultural sphere. Shanghai was famous for its many cinemas which had brought Hollywood (and Pinewood) fashions and culture to the city's streets. Foreign films were not immediately cracked down upon by the CCP; between April 1949 and November 1950, some

¹⁵⁶ Gould, 'Shanghai during the Takeover,' p. 187.

¹⁵⁷ 'The North China Daily News,' *The Times*, 2/9/49.

¹⁵⁸ 'Another Chinese Blockade Warning,' *The Times*, 25/6/49; 'Obituary: Mr. R.T. Peyton-Griffin,' *The Times*, 30/12/50; 'North China Daily News; Publication Ceases After Over 100 Years,' *The Times*, 7/4/51.

¹⁵⁹ O'Brien, *An American Editor*, pp. 125-146, 174, 251-2, 279-80; 'Review to Close After Next Issue; Note From the Editors,' *China Monthly Review*, June 1953.

646 British and American films were shown to a total audience of 14,505,773.¹⁶⁰ The CCP were anxious to provide an alternative to these immoral and propaganda-filled foreign films and so new regulations emerged in April 1950, on restricting the influence of British and American films in Shanghai, which stated that at least a quarter of each cinema's monthly programme had to be devoted to Chinese or Soviet 'progressive films' (*jindu dianying*, 进步电影). The advertising of foreign features in the media and on the streets was carefully restricted. Showings of foreign and pre-1949 films were reduced, while post-1949 and Soviet films were actively promoted.¹⁶¹ That same month, the CCP strengthened control over the film industry making it clear to all concerned that cinema was no longer simply about business or art, but rather a highly politicised medium, subject to strict ideological censorship. The Film Bureau issued regulations stipulating that all scripts had to be approved before films could be produced. In July an advisory committee was established to police the industry.¹⁶² New Chinese films were moral in tone: one Beijing shop worker (very possibly fictional) was reported in the Chinese press as saying 'Nowadays films teach people how to be good persons. They are not like the old pictures that dealt with crime and the extravagant living of rich people and foreigners.' 'Seeing a new motion picture,' enjoined a (equally likely to be fictional) schoolteacher, 'is as valuable as having a lesson in school.'¹⁶³

This change can be clearly seen in the pages of the CCP's English language newspaper *The Shanghai News*, which ran from June 1950 to December 1952. Early issues of the *News* contain adverts for a range of films, from Rita Hayworth in 'Blood and Sand' to the 1945 Chinese classic 'Dream of the Red Chamber' (*Hong Lou Meng*, 红楼梦) and the Soviet 'Quadruple Wedding' ('A Super USSR Musical Comedy!'). Western films later disappeared as Soviet and post-1949 or apolitical pre-1949 Chinese films came to dominate. An advertisement for the new film 'Chinese People's Victory' (*Zhongguo Renmin de Shengli*, 中

¹⁶⁰ SMA B172-1-35, *Shanghai Shi Wenhua Ju guanyu ben shi 1949 nian – 1951 nian ge yingyuan shangying yingpian, guanzhong renshu de tongji baobiao* [Shanghai Culture Bureau statistical report forms on films shown in every cinema and number of viewers between April 1949 and June 1951], *zi 1949 nian 4 yue zhi 1950 nian 11 yue 14 ri zhi Shanghai Shi ge dianyingyuan shangying Ying Mei pian mei bu cishu, guanzhong renshu tongji biao* [Statistical chart showing frequency and number of viewers of British and American films projected in Shanghai cinemas between April 1949 and November 1951].

¹⁶¹ SMA B172-1-29, *Dui jinyibu xianzhi Ying Mei yingpian de juti yijian* [Concrete proposals on progressively restricting British and American films], 25/4/50.

¹⁶² Yingjin Zhang, *Chinese National Cinema* (London: Routledge, 2004), pp. 189–198.

¹⁶³ *The Shanghai News*, 'Chinese People Love Their New Films,' 26/9/51.

国人民的胜利) in October 1950 announced it to be 'the first picture of a high artistic standard and a political and educational significance that ever appears on the screen!'¹⁶⁴

Figure 9: *The Shanghai News*, 'Chinese People's Victory,' 5/10/50



Don't you want to see
the growth of our great and free nation?
★
the true feature of our vast and fertile fatherland?
★
the surprising achievements of our brave and unexcelled PLA?
★
Our strong forces that defend the camp of peace and democracy?
★

中國人民之勝利

The first picture of a high artistic standard and a political and educational significance that ever appears on the screen!

A Joint Production of the Peking Film Studio of China and the Central Documentary Film Studio of the Soviet Union

CHINESE PEOPLE'S VICTORY

IN TECHNICOLOR!

Director: V. Varlamov	Literary Adviser: Liu Pei-yu
Scenarist: K. Simonov	Assistant Director: Wu Pen-li Chow Feng

IN CELEBRATION OF THE NATIONAL DAY OF THE CHINESE PEOPLE'S REPUBLIC
SHOWING SIMULTANEOUSLY
AT 15 LEADING CITIES THROUGHOUT THE COUNTRY

PEKING	* TIEN-TSIN	* KALGAN	* TSINAN
MUKDEN	* DAIREN	* HARBIN	* SHANGHAI
NANKING	* HANGCHOW	* HANKOW	* CANTON
CHUNGKING	* SIAM	* TAIPEI	* * *

SHOWING AT 5 LOCAL THEATRES

GRAND
MAJESTIC
ASTOR
METROPOL
INTERNATIONAL

In June 1950, *The Shanghai News* advised readers to revisit the entertainment pages of Shanghai's pre-'Liberation' newspapers and to compare them with the papers of the day. Where once they were overrun with Betty Grables and Errol Flynns, the *News* observed, now Chinese movie-goers were flocking to see patriotic Chinese pictures such as '1,000,000 Troops Crossing the Yangtze,' 'Eight Brave Girls' and 'The Life History of a Peking Policeman.' Alternatively, there were wholesome Soviet pictures such as 'The Country Teacher,' and 'The Gorky Trilogy.' The percentage of admissions for American and British films fell from 46.9 per cent of total admissions in November 1949 to 28 per cent in May 1950. This change was not the product of coercion, the article maintained, 'but by penetration

¹⁶⁴ *The Shanghai News*, 'Current Chinese Movies,' 25/6/50, 'Blood and Sand,' 14/7/50, 'Dream of the Red Chamber,' 5/8/50, 'Chinese People's Victory,' 5/10/50.

through study groups and political awakening on the part of the people themselves. 'All this goes to indicate,' the article continued,

that even the sub-colonial urbanites in Shanghai have undergone a thorough overhauling, that they have forsaken Hollywood and all that goes with it, its make-beliefs, its compradore culture, and what not.¹⁶⁵

When Chinese troops entered the Korean War against American-led United Nations forces in October 1950, the CCP took the opportunity to 'purge' (*suqing*, 肃清) foreign films from Shanghai's cinemas. They capitalised on the momentum of the country-wide campaign to 'Resist America and Aid Korea' (*kang Mei yuan Chao*, 抗美援朝) (of which more will be said in the next chapter) to make the prohibiting of these films seem as though it was in response to popular outcry from the youth of the city. It was said that the youths' 'hostility towards American imperialism had been awakened' (*qi yu dui Meidi de chouhen*, 启于对美帝的仇恨). The Shanghai Cultural Bureau sent speech-making teams out to speak to the city's youth at mass meetings at factories and schools on the need to 'liquidate' (*qingsuan*, 清算) aggressive American cultural imperialism and to criticise the 'poisonous ideology' (*youdu sixiang*, 有毒思想) in American films.¹⁶⁶ By the end of the year, CCP cultural leader Guo Moruo reported that imperialist films had been 'eradicated' from Shanghai.¹⁶⁷ After this date, although the cinemas retained their glamorous names, the titles of films they showed became more incongruous, as evidenced by the advert for the film 'Thoughts' Problem' (*Sixiang wenti*, 思想问题) which appeared under the starred banner of the 'Golden Gate' theatre.¹⁶⁸

¹⁶⁵ *The Shanghai News*, 'Current Chinese Movies,' 25/6/50.

¹⁶⁶ SMA B171-1-33-29, *Shanghai Shi Renmin Zhengfu Wenhua Ju Dianying Shiye Guanli Chu guanyu zhaokai zuzhi suqing Mei di yingpian buliang yingxiang yanjiang hui de tongzhi* [Shanghai People's Government Cultural Bureau, Film Industry Management Bureau Notification on convening and organising of meeting for speeches on purging the harmful influence of American films], 29/11/50.

¹⁶⁷ SMA B1-1-1996, *Zhongyang Zhengwuyuan guanyu waiguo jintie ji waizi jingying de wenhua jiaoyu jiuji jiguan ji zongjiao tuanti fangzhen de jue ding* [Central State Council decision on policy towards foreign subsidised and foreign managed cultural, education, and relief organisations and religious groups], January 1951; Guo Moruo (郭沫若), *Guanyu chuli jieshou Meiguo jintie de wenhua jiaoyu jiuji jiguan ji zongjiao tuanti de fangzhen de baogao* [Report on the policy of dealing with and taking over American subsidised cultural, education, and relief organisations and religious groups], 29/12/50.

¹⁶⁸ *The Shanghai News*, 'Thoughts Problem,' 22/10/50.

The elimination of religious, educational and cultural organisations

In January 1949, Zhou Enlai told Mikoyan, the Soviet representative in Beijing, that when the CCP took over, foreign missionary organisations, hospitals, schools, cultural and scientific institutions and foreign aid organizations would be 'registered', and control over them would be strengthened. Foreign lives and property would be protected, but church lands would be confiscated. Most importantly, religious teaching would have to be on a voluntary basis and not forced on students, and the heads of cultural organisations would have to be Chinese.¹⁶⁹ Mao noted in December 1949 that;

As for the foreigners' spheres of influence, the British predominate in investments in the economic and commercial sectors, while the Americans lead in the sector of cultural-educational organizations.¹⁷⁰

The CCP had intended a policy of more gradual transition to Chinese ownership, but the outbreak of the Korean War quickened the process. The general economic situation, compounded by freezing of US assets in China, meant that the majority of US-subsidised relief organisations faced dire economic circumstances. The elimination of these organisations became part of the campaign to 'Resist America and Aid Korea.' The campaign aimed to break any remaining cultural and emotional ties with America, so the eradication of 'imperialist propaganda organs' was crucial.¹⁷¹

Takeovers usually followed set patterns. For example, in October 1950 the authorities took over the Shanghai Country Hospital, which had been formerly administered by the British-dominated Shanghai Municipal Council. On the day before the takeover, the director of the hospital was invited to the FAD and told the reasons behind the move. A group of Hygiene Department cadres led by a representative from the Military Control Committee would take over the administration of the hospital, but the original staff would all stay in place. Only later would the hospital come directly under the control of the municipal government under a

¹⁶⁹ CWIHP, Memorandum of Conversation between Anastas Mikoyan and Zhou Enlai, 2/1/49.

¹⁷⁰ CWIHP, Conversation between Stalin and Mao, Moscow, 16/12/49.

¹⁷¹ Zhang, 'Xin Zhongguo de waijiao', p. 38; SMA B1-1-1996, *fangzhen de jue ding*, January 1951; Guo Moruo, *Guanyu chuli jieshou Meiguo jintie de wenhua jiaoyu jiuji jiguan ji zongjiao tuanti de fangzhen de baogao* [Report on the policy of dealing with and taking over American subsidised cultural, education, and relief organisations and religious groups], 29/12/50; for more on the Campaign to Resist America Aid Korea's effect on private charities in Shanghai see Nara Dillon, 'New Democracy and the Demise of Private Charity in Shanghai,' in *Dilemmas of Victory*, pp. 88-90.

new name, the East China Hospital. The authorities' reports emphasise that stability was all-important; this was very much a top-down take over. The masses would only be mobilised and 'educated' (by union representatives brought in from the Hospitals Union) once the new authorities were familiar with the running of the hospital. Foreign staff were to be allowed to remain at their posts. The one condition was that they should renounce their privileged rates of pay and accept equal pay with the Chinese staff. Most had already applied for their exit permits. Foreign and Chinese patients were no longer to be treated separately. Military imperatives also drove the CCP to seize control over the Jesuit-run Xujiahui meteorological observatory in December 1950.¹⁷²

In early 1951, the Ministry of Education decided that all schools must be run by Chinese organisations. Following this decision, the State Council announced measures for dealing with organisations that relied on foreign (especially American) subsidies.¹⁷³ The Shanghai FAD established a special office to coordinate the 'registration' and elimination of these bodies.¹⁷⁴ Through 'registration' the CCP sought to monitor foreign-run and foreign-subsidised organisations in the cultural, religious, medical and educational spheres, to restrict their actions and turn them into private or state-run Chinese organisations if they could not run themselves.¹⁷⁵ A total of 666 organisations were registered, and among these 545

¹⁷² SMA B242-1-187, *Shanghai Shi Weisheng Ju guanyu jieguan Hongen yiyuan de baogao yu pifu ji laiwang wenshu* [Shanghai Hygiene Department report and approval for taking over the Shanghai Country Hospital and correspondence on this issue] January 1949-December 1950; MFA 110-00162-07, *Guanyu Shanghai Hongen Yiyuan jieguan caoan de pishi* [Approval of plan to take control over the Shanghai Country Hospital, 26/8/50; Zhou et al., *Shanghai waishi zhi*, pp. 50-1.

¹⁷³ Zhang, 'Xin Zhongguo de waijiao', p. 38; *The Shanghai News*, 'Decisions on U.S. Subsidised Cultural, Educational, Relief Organisations, Religious Bodies,' 1/1/51, 'Clarification of Registration of Foreign-Subsidised, Operated Cultural, Religious Bodies,' 25/1/51, 'Foreign Subsidised Colleges to be Made Independent,' 27/1/51.

¹⁷⁴ 'Office for the Taking Over of Foreign Subsidised and Foreign-Capital Operated Cultural, Educational and Relief Organisations and Registration of Religious Organisations' (*Jieshou waiguo jintie ji waizi jingying zhi wenhua jiaoyu jiuji jiguan ji zongjiao tuanti dengji chu*, 接受外国津贴及外资经营之文化教育救济机关及宗教团体登记处); see Zhou et al., *Shanghai waishi zhi*, p. 51; the regulations were the 'Regulations on policy regarding dealing with and taking over American subsidised cultural, educational and relief organisations and religious organisations' (*Guanyu chuli jieshou Meiguo jintie de wenhua jiaoyu jiuji jiguan ji zongjiao tuanti de fangzhen de guiding*, 关于处理接受美国津贴的文化教育救济机关及宗教团体的方针的规定) and 'Articles on the taking over of foreign subsidised and foreign managed cultural, educational, and relief organisations and the registration of religious groups' (*Jieshou waiguo jintie ji waizi jingying zhi wenhua jiaoyu jiuji jiguan ji zongjiao tuanti dengji tiaolie*, 接受外国津贴及外资经营之文化教育救济机关及宗教团体登记条例); He et al., *Shanghai waishi sishi nian*, p. 19.

¹⁷⁵ SMA B1-1-1996, *fangzhen de jue ding*, January 1951; *Jieshou waiguo jintie ji waizi jingying zhi wenhua jiaoyu jiuji jiguan ji zongjiao tuanti dengji tiaoli* [Regulations on registering foreign subsidised and foreign capital managed cultural, and educational organisations and religious groups], 29/12/50; Guo Moruo, *Guanyu chuli jieshou Meiguo jintie...*, 29/12/50; Zhengwuyuan Wenjiao Weiyuanhui [State Council Cultural and Educational Committee], *Jieshou waiguo jintie ji waizi jingying zhi wenhua jiaoyu jiuji jiguan ji zongjiao tuanti*

received foreign funds. Of this number, 121 were actually managed by foreigners; 263 relied on US funds; and 32 on British. The majority of these were closed down or turned into Chinese-run organisations in 1951. Five foreign-run universities and three higher education colleges were all taken over between February and April 1951.¹⁷⁶ The management of seven schools for foreign children was also taken over in 1951, including the Shanghai British School.¹⁷⁷

The CCP's *Shanghai gaikuang* (Shanghai outline) described foreign religion as a 'powerful weapon of imperialist aggression against China' (*diguozhuyi qinlüe Zhongguo de youli wuqi*, 帝国主义侵略中国的有力武器) which had been 'poisoning' the minds of the Chinese people since 1690. As well as running churches, religious organisations also administered (directly or indirectly) four universities, 105 middle schools, ten medical organisations, and four seminaries.¹⁷⁸

The Communists differentiated between Catholics and Protestants. Catholics were seen to be the more 'reactionary' in their beliefs and practices, but looking at their backgrounds, Anglophone Protestants were more obviously the agents of British and American 'imperialism.'¹⁷⁹ Speaking in July 1950, Wang Bingnan of the Ministry of Foreign Affairs spoke of the need to establish firm policies with which to get rid of foreigners 'according to the concrete situation, step-by-step, and in a planned manner' (*anzhao juti qingkuang, you buzhou de, youjihua de*, 按照具体情况, 有步骤的, 有计划的). He took religious personnel as his example, saying that during the land reform movement in north-east China, missionaries had been treated like landlords. Their lands had been redistributed and many were killed. In future, said Wang, the CCP would separate genuine missionaries from

dengji shishi banfa [Measures for implementing the registration of foreign subsidised and foreign capital managed cultural, and educational organisations and religious groups].

¹⁷⁶ Zhou *et al.*, *Shanghai waishi zhi*, pp. 324-8.

¹⁷⁷ SMA B105-1-263, *Shanghai Shi Jiaoyu Ju guanyu yanjiu ruhe zhixing guanli waiqiao ziniu xuexiao zanxing banfa de jingguo baogao* [Shanghai Education Office; Report on research into provisional methods for administering foreign children's schools], August 1951-October 1951; SMA B105-1-351, *Shanghai Shi Jiaoyu Ju, Huadong Jiaoyu Buchaofa ge ji jiaoyu xingzheng bumen guanli waiqiao ziniu xuexiao zanxing banfa gui Guo Haiqiao xuesheng ru xue zanxing banfa* [Shanghai Education Office, East China Education Bureau sending provisional measures for administering foreign children's schools to all executive organs and provisional measures on enrolment of returned overseas Chinese students], April-August 1951; see also Gao Qian, 'Qingchu diguozhuyi zai jiaoyu jie de canyu shili de douzheng' [The struggle to eliminate the remaining imperialist influence in the educational sphere] in *Shanghai Jiefang Chuqi de Shehui Gaizao Weiyuanhui* [Social Change in Early Liberated Shanghai Committee], *Shanghai Jiefang Chuqi de Shehui Gaizao* [Social change in early liberated Shanghai] (Zhonggong Dangshi Chubanshe [CCP Party History Publishing House], 1999), pp. 212-9.

¹⁷⁸ He *et al.*, *Shanghai waishi shi nian*, p. 18.

¹⁷⁹ SMA Y15/1/201/593, *Shanghai gaikuang*.

imperialists. Those who wanted to leave would be allowed to do; those who asked to enter would be refused. In this way the missionary population would decline.¹⁸⁰ In practice however, the process was not so smooth.

The CCP had learnt early on that missionaries were not like other foreigners. Businessmen, for example, would simply leave once their businesses became unprofitable or were taken over. Many missionaries had lived in China for decades, were advanced in age and were willing to be martyred for the cause. This made them very resistant to persuasion or intimidation. Through their religious and secular activities, they held great influence over local populations. In Shanghai, there were 44,000 or more Catholics and more than 30,000 Protestants.¹⁸¹ In the process of expelling Catholic missionaries from China, the CCP often resorted to fabricating espionage plots or other salacious charges.¹⁸² Among the most notorious of these was the accusation that Catholic orphanages systematically murdered Chinese children.¹⁸³ The vast majority of charges were completely unfounded, but there were cases where Catholics actively resisted the CCP. In Jinan, the capital of Shandong Province, the CCP believed that Catholics missionaries had been involved in organising armed resistance against them. After 'Liberation,' the CCP complained that every time they held a public meeting the Catholics would hold one too.¹⁸⁴

In May 1950, prominent Chinese church leaders, led by Wu Yaozong (吴耀宗) were encouraged to sever their ties with missionaries and form independent church organisations.

¹⁸⁰ MFA 102-00180-01, *Wang Bingnan guanyu waijiao jilü wenti baogao* [Report by Wang Bingnan regarding discipline in foreign affairs], 5/7/50.

¹⁸¹ SMA Y15/1/201/593, *Shanghai gaikuang*.

¹⁸² SMA D2-0-539-31 *Guanyu Jinan Shi waiqiao gongzuo de baogao (dangnei ziliao, di yi qi)* [Report on Foreign Affairs work in Jinan (internal Party document, part 1)], 25/5/49; see also the section entitled '*Daji yi zongjiao zuo yanhu de fangeming fenzi*' [Attacking the counterrevolutionaries shielded by religion], in Shanghai Gong'an Ju Gong'an Shi Bianzuan Weiyuanhui [History of the Shanghai Public Security Bureau Compilation Committee], *Shanghai Gong'an Ju Gong'an Shi* [History of the Shanghai Public Security Bureau] (Shanghai: Shanghai Shehui Kexueyuan Chubanshe [Shanghai: Shanghai Academy of Social Sciences Publishing House], 1998), pp. 111-7.

¹⁸³ Zhonghua Renmin Jiuji Zonghui [Chinese People's Relief Administration], *Diguo zhuyi Canhai Zhongguo Ertong De Zuixing* [The Crimes of the Imperialists Slaughtering Chinese Children] (Zhongguo Renmin Jiuji Zonghui [Chinese People's Relief Administration], 1951); this was due to the Catholics having encouraged many parents and communities in impoverished areas to give over their children to orphanages, especially those who were ill, so that their souls might be saved even if their bodies were not. Their mission was first to try to save their earthly bodies, and then their souls, but conditions and medical treatment in the orphanages were often not much better than in the villages. *The Shanghai News*, 'An Appeal to Mothers; A Report on US-Run Catholic 'Slaughter House' Orphanages in China,' 24/8/51; This report stated that documents had been found in an American orphanage in Hubei stating that 40,000 orphans' souls had been saved by the orphanage between 1920 and 1940 and now only about 120 remained. It was alleged that only one in 459 children sent to the orphanage survived.

¹⁸⁴ SMA D2-0-539-31 *Guanyu Jinan Shi*.

That summer the CCP stepped-up their anti-missionary propaganda. Many foreign missionaries were placed under virtual house arrest while they awaited permission to leave China. Many were gaoled and mistreated; others, such as the Vatican's representative Anthony Riberi, were deported.¹⁸⁵ The Catholic Church attempted to counter the CCP's accusations through pamphlets, but publications directed toward public opinion were not sufficient to counter the CCP's well-directed campaign.¹⁸⁶ The CCP-directed movement gathered pace, and in October 1950, the 'Three Selves Movement' was formally announced. This movement called for Chinese religious organisations to be 'self-governed, self-sustaining and self-propagating' (*zizhi, ziyang, zizhuan*, 自治, 自养, 自传).¹⁸⁷ Chinese Christians were promised freedom of religion once the foreigners had departed and Christianity had been freed from its long association with imperialism.¹⁸⁸ They had little alternative but to follow the CCP's line.¹⁸⁹

In November 1950, the CCP leadership approved plans to control strictly the movement and activities of missionaries using measures designed to monitor foreigners, but taking these measures to the extreme.¹⁹⁰ By the end of 1952 the formal influence of foreign Churches in China was well and truly broken.¹⁹¹ In 1953 there began another mass movement which aimed to 'Attack and expel the Imperialists within Catholicism' (*daji ji quzhu Tianzhujiao nei de diguozhuyi fenzi*, 打击及驱逐天主教内的帝国主义分子). Chinese religious personnel and believers were encouraged to:

... unite with the whole people of Shanghai and struggle resolutely against the imperialists, every follower of Catholicism in China, as a Chinese person, should love their country first, as a pure believer, they should not allow themselves to be used by imperialism as tools reeking of blood used for aggression against their own country.

¹⁸⁵ John W. Masland, 'Communism and Christianity in China,' *The Journal of Religion*, Vol. 32, No. 3 (July 1952), pp. 198-206.

¹⁸⁶ SMA U101-0-196-1, *Tianzhujiao xiaoezi: Gongjiao yu diguozhuyi* [Catholic Pamphlet: Catholicism and Imperialism], 1951; this pamphlet posed and answered a series of questions such as 'Do Catholicism and imperialism have mutual interests?' 'Why do Catholics not have to rely on imperialists?' 'Can Catholicism be used as a weapon by imperialists?' and 'Did Catholicism enter China along with imperialism?'

¹⁸⁷ Zhou et al., *Shanghai waishi zhi*, pp. 324-5.

¹⁸⁸ *The Shanghai News*, 'Chinese Christians Announce New Direction of Endeavours' and 'Patriotic Movement of Christians,' 26/9/50.

¹⁸⁹ John W. Masland, 'Communism and Christianity in China,' pp. 198-206.

¹⁹⁰ Zhou Enlai, *Jianguo yilai Zhou Enlai wengao*, Vol. 3, p. 513.

¹⁹¹ Zhou et al., *Shanghai waishi zhi*, pp. 324-5.

In this way, Chinese Catholics were 'educated' into severing their remaining links with foreign missionaries, who faced a fresh wave of imprisonments and deportations.¹⁹²

Conclusion

Foreign cultural, religious and educational organisations were dealt with fairly soon after the takeover of China, as part of the wider transformation of the city. The CCP created a strong dichotomy between 'old,' imperialist Shanghai and the 'new,' socialist Shanghai. Under the veil of nation building and New Democracy, authoritarian means were used to establish control over both Chinese and foreign elements of Shanghai society. Foreign influence over, and 'propagandising' towards, Chinese students, believers, and ordinary people (such as cinema-goers) could not be tolerated as it offered a dissenting (and foreign) voice just as the new regime sought to establish itself and cement its revolutionary legitimacy. It was imperative, therefore, to eliminate foreign newspapers and films. The transition from old to new was not only made in the abstract sense and in the cultural sphere: the CCP also acted to demonstrate the nature of the new order through not recognising representatives of foreign powers with whom the Chinese did not yet have diplomatic relations, and by punishing foreigners who were perceived to act in an arrogant manner. The CCP's treatment of Matheson and Olive was intended to demonstrate that foreigners could no longer assume immunity from Chinese law in Shanghai, while simultaneously teaching broader anti-imperialist lessons.

This removal of foreign influence from the city had long been desired, but the coming of the Korean War undoubtedly accelerated the process as the Americans withdrew and their assets were seized. Foreign capital, as we shall see in the following chapters, was dealt with rather

¹⁹² SMA A48-1-90-122, *Zhonggong Shanghai Shi Qing Gongye Weiyuanhui Xuanchuan Bu guanyu daji he quzhu Tianzhujiao nei diguozhuyi fenzi de xuanchuan tigang* [CCP Shanghai Light Industry Committee Propaganda Bureau; Outline of propaganda work for the struggle to attack and eliminate imperialists within Catholicism], 20/6/53; '...unite with the whole people' (*Tianzhujiao nei de yi qie aiguo de shenzhi renyuan he guangda jiaotumen, yinggai he quan Shanghai renyuan tuanjie qilai he diguozhuyi fenzi zuo jianjue douzheng, mei yige Zhongguo de Tianzhu jiaotu, zuo wei yige Zhongguoren lai shuo, shouxian ying ai ziji de guojia, zuowei yige chunzheng de jiaotu lai shuo, ye bun eng tingren ziji suo zai de jiaohui bei diguozhuyi ying lai zuo wei xuexing de qinlüe ziji de guojia de gongju*, 天主教内的一切爱国的神职人员和广大教徒们, 应该和全上海人员团结起来和帝国主义分子作坚决斗争, 每一个中国的天主教徒, 作为一个中国人来说, 首先应爱自己的国家, 作为一个纯正的教徒来说, 也不能听人自己所在的教会被帝国主义用来作为血腥的侵略自己的国家的工具); SMA A22-1-118, *Zhonggong Xuanchuan Bu daji ji quzhu Tianzhujiao nei de diguozhuyi fenzi* [CCP Shanghai Propaganda Bureau; attack and drive out imperialists within Shanghai Catholicism], 12/6/53.

differently; as Mao said to Mikoyan in January 1949, foreign capital was ‘closely intertwined’ with Chinese capital. The CCP had resolved at the Sixth Congress, which was held in Moscow in 1928, to confiscate all foreign capital and property, but while this decision remained in force, ‘its implementation must be carried out in more flexible forms.’¹⁹³ In a later conversation, Mao told Mikoyan that in order to destroy the enemy, one should grow strong economically’ and this meant not taking any risks in taking over foreign companies too hastily.¹⁹⁴ The next chapter examines the position of British businesses in ‘New’ Shanghai under the Communists in the period before their eventual closure or withdrawal.

¹⁹³ CWIHP, Memorandum of Conversation between Anastas Mikoyan and Mao Zedong, 31/1/49.

¹⁹⁴ CWIHP, Memorandum of Conversation between Anastas Mikoyan and Mao Zedong, 5/2/49.

Chapter 3: British Business in Early Communist Shanghai

The CCP were keen to demonstrate quickly that Shanghai had changed. While they had moved quickly to eradicate the foreign cultural presence, a number of factors led them to take a more long-term approach towards foreign businesses.¹ The civil war was yet to be won and the economy was still in chaos. The last thing the Chinese needed was to act rashly and cause more instability. Their priorities in Shanghai were to rein in inflation, to prevent further unemployment and to establish control over the city and its population. Under the New Democratic economy the government's stated policy was to cooperate with both Chinese and foreign capitalists – as long as that was, the capitalists acted in accordance with the 'interests of the people.'² In practical terms however, labour had to be appeased and taxes had to be extracted. These pressing issues would take priority over the centre's planned moderation.

Reflecting in 1955 on the experience of their company since 1949, Butterfield & Swire identified three distinct periods in the life of British business in Communist Shanghai; their periodisation roughly reflects the shape of the following three chapters. The first period, between May 1949 and the end of 1952, was termed 'the period of consolidation.' This period roughly corresponds to the contents of this chapter. Chapters Four and Five reflect the two latter periods discussed below. In the 'period of consolidation' the biggest problem facing the British, aside from the Guomindang's blockade, was that Shanghai's labouring class had been

... given its head and encouraged, in recompense for its support of the People's Government to extract all it could from capitalist employers by making as much of a nuisance of itself as it could.³

From the end of 1952 to the autumn of 1953 came what Butterfield & Swire termed the 'period of control.' The CCP were now firmly established in Shanghai; and 'and thereafter labour ceased to be king.' Labour discipline, even in foreign firms, was much improved. In these months the biggest problem for foreign businesses was the 'official squeeze' put on them by the government. The third period was termed 'the period of impatience,' and was

¹ Hooper, *China Stands Up*, pp. 85-7.

² Wu Li, 'Jianguo chuqi de jingji geju he guomin jingji de huihu' [The Economic Conditions and the Restoration of the National Economy in the Early PRC], in Guo et al, *Zhonghua Renmin Gongheguo Zhuanti Shigao*, pp. 75-6.

³ JSSCA CHINA CL6, Withdrawal from China, Memorandum from Butterfield & Swire, Hong Kong to John Swire and Sons, Ltd., London, 30/12/55, pp. 1-3.

considered to have lasted from the government's announcement of its plan for the 'transition to socialism' in autumn 1953 to the surrender of Swire's assets at the end of 1954. By this time the CCP had consolidated control over foreign businesses and 'could hardly wait to acquire them.'⁴

In the 'period of consolidation', British business was dealt with within the context of an enormous transformation of the city's Chinese economy. This chapter begins with a profile of the foreign community in Shanghai after May 1949, focusing on the decline in the foreign population. Those remaining lived increasingly claustrophobic lives, constrained by measures put in place by the new authorities. Their social world contracted upon itself as the population declined. Clubs and societies closed: bored, frustrated men and women waited for permission from the Communists and from their directors to depart for home. The chapter then moves on to discuss the predicament of British businesses in Shanghai. The Communists had definite plans for reshaping Shanghai's economy on their New Democratic model. While British businesses were promised protection, they were also 'squeezed' in a variety of ways to extract revenue. One particular problem that foreign companies faced was that of labour-capital relations. The last two sections of this chapter consider labour disputes and mass movements within British companies and questions whether they were subject to the same pressures as Chinese companies, or whether matters were more severe. What does the CCP's treatment of British companies tell us about their long-term plans? How did they find a balance between revolutionary change and short-term stability?

The outbreak of the Korean War in June 1950 intensified the situation in the city. The North Korean People's Army's initial victories were reversed by a huge counter-offensive by American-led United Nations troops who advanced ever closer to China's border. The Chinese were not eager to join the war; they sought a period of stability in which to begin the reconstruction of the national economy. Just two weeks before Chinese troops entered the conflict, the CCP had expressed their reluctance to get involved to Moscow. They feared that their 'entire plan for peaceful construction [would] be completely ruined.'⁵ Soviet pressure,

⁴ JSSCA CHINA CL6, Withdrawal from China, pp. 1-3.

⁵ CWIHP, Ciphred telegram from Roshchin in Beijing to Filippov [Stalin], 3/10/50; conveying message from Mao to Stalin, 2/10/50; Zhou Enlai said that China needed three to five years of peace in which they would reduce military expenditure and invest in education and construction but 'the enemy will not let us do this' (*dan diren bu rang women zheyang zuo*, 但敌人不让我们这样做); Zhou Enlai, 'Kang Mei Yuan Chao, Baowei Heping' [Resist America Aid Korea, Protect Peace], 24/10/50, *Zhou Enlai Waijiao wenxuan*, pp. 28-33.

and the fear of an American presence on their doorstep, persuaded them to change course. Chinese troops crossed into Korea on 19th October.⁶ After several offensives and counter offensives, the two forces became locked in stalemate from July 1951 until armistice talks began in July 1953.⁷

The negotiations for the establishment of Sino-British relations in Beijing had ground to a halt. *Chargé d'affaires* John Hutchinson was replaced by Lionel H. Lamb. Lamb found his ability to influence affairs in Beijing severely constrained by the Chinese Government's refusal to answer his communications.⁸ Torn between their policy of keeping an 'open door' to China and preserving the strategic alliance with the US the British opted for the latter.⁹ They joined the war, refused to champion the PRC's right to a seat in the United Nations, and agreed to extensive trade embargos against China. This left the British in Shanghai in a state of limbo. The Chinese were unimpressed by London's willingness to follow America, and their generally 'unfriendly attitude.'¹⁰ Within China anti-Western attitudes and rhetoric hardened. In January 1951, Zhou Enlai affirmed that the CCP were fully committed to their alliance with the USSR, saying: 'if we don't want to lean towards imperialism, then we must lean towards socialism, there is no third (middle) road.'¹¹

Following the departure of the Americans in early 1950, 'foreign businesses' effectively meant 'British businesses' to the CCP.¹² In the period 1949-1952 the CCP lacked a definite

⁶ CWIHP, Ciphred Telegram, Roshchin to Filippov (Stalin), 14/10/50, re Meeting with Mao Zedong, 13/10/50; CWIHP, Ciphred Telegram, Fyn Si (Stalin) to Kim Il Sung (via Shtykov), 13/10/50. Chen Jian, 'The Sino-Soviet Alliance and China's Entry into the Korean War' (CWIHP Working Paper 1), (Woodrow Wilson International Centre for Scholars Washington, D.C.: June 1992), pp. 29-34.

⁷ CWIHP, Ciphred telegram, Filippov [Stalin] to Mao Zedong, 5/6/51.

⁸ Shao, *China, Britain*, pp. 54-9.

⁹ Xiang, *Recasting*, pp. 219-22, 227-30, 243.

¹⁰ Zhou Enlai, 'Chinese People Will not Tolerate Aggression,' *World News and Views*, 14/10/50, Vol. 30, No. 41; see also various communications from the Chinese Government to the British in which Britain's 'unfriendly attitude' was cited as a serious problem between the two countries; MFA 110-00012-02, *Wo kangyi GangYing dangju xianzhi Zhongguo ji ren yu Gang de huihan*, [Correspondence on restriction of Chinese people entering Hong Kong by British Hong Kong authorities], 5/7/50-5/8/50; MFA 116-00010-02, *Kangyi Xianggang dangju kouliu wo zai Gang feiji de xinwengao* [Press release protesting detention of Chinese planes in Hong Kong by Hong Kong British authorities], 17/5/50.

¹¹ MFA 102-00235-01, *duiwai zhengce*; 'If we don't want to lean towards...' (*bu dao xiang diguozhuyi jiu shi dao xiang shehuizhuyi, di san tiao lu (zhongjian lu) shi meiyou de*, 不倒向帝国主义就是倒向社会主义, 第三条路 (中间路) 是没有的), for more on the 'two camps' theory see also Zhou Enlai, '*Jintian guoji shang de zhuyao maodun shi zhanzheng yu heping wenti*' [Today's Most Important Contradiction in the International Sphere is the Question of Peace and War], 5/6/53, *Zhou Enlai waijiao wenxuan*.

¹² MFA 118-00014-07, *Wo Waijiao Bu zhaoji youguan bumen kaihui shangtao Yingguo shangren cheli wenti* [Ministry of Foreign Affairs assembles all relevant bureaux to meeting to discuss the problem of the withdrawal

policy for dealing with them. Two orders had been given: no new foreign businesses should be allowed in China; and at that in most respects they should be treated the same as Chinese companies. The dominance of foreign businesses over strategic economic sectors (such as public utilities, oil, steel and coal) was considered completely unacceptable. This did not yet, however, amount to a plan for wholesale closure or nationalisation.¹³ The difficulties faced by foreign companies in the early years instead resulted not from deliberate plans to close them down but from the wider economic crisis, combined with the innate hostility of local government officials towards them. The CCP had initially attempted to deal methodically with the foreign presence in China; however, the outbreak of the Korean War meant that they had to speed up the pace of change and take more definite steps.¹⁴ The war did not cause a major change in policy towards foreign businesses, but it did speed their demise.¹⁵

At some point in 1950 an informal 'policy of squeeze' (*ji de fangzhen*, 挤的方针) was developed, under which the CCP would use economic means to apply pressure to foreign businesses. At a meeting of CCP leaders in Beijing in May 1952 Guan Datong (管大同), the head of the Central Government's Foreign Capital Enterprises Supervisory Bureau (*Zhongyang Waizi Qiye Guanli Ju*, 中央外资企业管理局), explained that the policy had been to prevent foreign businesses closing in order to keep their capital and assets within China, with a view to an eventual takeover. After all, he said, in the long run, we 'want to take more money' (*yao naqu geng duo de qian*, 要拿去更多的钱). They had prolonged the existence of some, while speeding the demise of those which were no longer needed. The elimination of British businesses could not be dealt with in isolation, Guan stressed: it had to be considered alongside domestic problems such as unemployment, appeasing the working classes and accumulating tax revenue.¹⁶ With the transition to socialism in 1953; the policy of 'squeeze' would evolve into an effective means of pressuring foreign businesses into closing down.

of British merchants], 24/5/52-30/5/52; 1952 Nian 5 Yue 30 Ri guanyu Yingshang wenti de huiyi fayan jilu, *Waijiao Bu Oufei si yi ke* [Ministry of Foreign Affairs, Europe and Africa Bureau, First Section, Minutes of meeting on the problem of British merchants], 30/5/52.

¹³ Wu, 'Jianguo chuqi de jingji geju,' pp. 75-6.

¹⁴ Zhang, 'Xin Zhongguo Waijiao,' p. 39;

¹⁵ Xiang, *Recasting*, pp. 242-3.

¹⁶ MFA 118-00014-07, *Yingguo shangren cheli wenti*.

The foreign population of Shanghai, 1949-1954

After May 1949, the foreign population of Shanghai shrank rapidly. Within a year, two-thirds of the foreign population had departed. Many of those who had departed early had not been long-term residents of Shanghai; among them were large numbers of stateless White Russian and Jewish refugees.¹⁷ Between 1950 and 1954 the population decreased by between one and three thousand people each year. By the mid 1950s most foreigners from 'imperialist' and 'capitalist' countries had departed. Soviet advisors became the most numerous foreign group in Shanghai. After the Soviet experts were withdrawn in the late 1950s, only a few hundred foreigners would remain to experience the tumultuous decades that followed.¹⁸

Table 3: Foreign population of Shanghai, 1949-1959

Year	Foreign Population	Year	Foreign Population
1949.6	32,045	1954	2,983
1949	28,683	1955	3,199
1950	11,939	1956	2,553
1951	8,842	1957	2,100
1952	6,769	1958	1,461
1953	4,657	1959	955

Source: Adapted from table showing foreign population 1949-1993 in Zhou et al., Shanghai waishi zhi, p. 345.

The withdrawal of foreigners was slow at first as people waited for the dust to settle. Following the American Government's call for its citizens to withdraw in the summer of 1949, the rate of departure increased significantly.¹⁹ The majority of those who applied to leave in this period were former diplomatic personnel who had been made redundant through

¹⁷ Marcia Ristaino, *Port of Last Resort: Diaspora Communities of Shanghai* (Stanford, Calif.: Stanford University Press, 2001), pp. 265-72.

¹⁸ Zhou et al, *Shanghai waishi zhi*, p. 345.

¹⁹ MFA 118-00046-17, *Shanghai Shi Waiqiao Shiwu Chu ba-jiu yue gongzuo baogao* [Work report of the Shanghai Foreign Citizens Affairs Department for August-September], 21/9/49; MFA 118-00046-17, *Shanghai Shi Waiqiao Shiwu Chu Ba-Jiu Yue gongzuo baogao (fu jian si; zi Hu shenqing chujing waiqiao de fenxi)* [Work report of the Shanghai Foreign Citizens Affairs Department for August-September (Appendix 4; analysis of foreign nationals applications to leave the country from Shanghai)], 21/9/49.

the CCP's non-recognition policy, and the wives and families of those who were committed to staying.²⁰

With the Guomindang's blockade of Shanghai ongoing, it was not until September 1949 that a ship, the *General Gordon*, was able to reach the port. It left carrying 1,218 persons.²¹ When the Americans closed their consulates in March 1950, the *General Gordon* was set to return to collect them. This time negotiations for safe passage with the Guomindang and the Communists failed. The threat of mines in the Yangzi estuary meant that the shipping company was reluctant to sail.²² In late April, 680 American and European citizens left Shanghai on special non-stop trains to Tianjin, to board the ship at Tanggu (塘沽).²³ CCP cadres on the spot noted that the foreigners complained loudly at having to go via Tianjin.²⁴ A few weeks later the blockade was lifted and foreigners were once more able to arrive and depart through normal channels.²⁵ The only problem lay in obtaining permission to do so.

The Shanghai FAD welcomed the departure of the foreigners, but they noted in reports to Beijing that very few foreigners involved in what they considered to be 'Anglo-American imperialist investment and economic aggression' (*Ying Mei diguozhuyi touji ji jingji qinlüe*, 英美帝国主义投资即经济侵略) and 'cultural aggression' (*wenhua qinlüe*, 文化侵略), had so far applied to leave. Even though foreigners seemed to be flooding out of the city, the FAD believed that this did 'not really prove that the imperialists [would] voluntarily abandon their vested interests and special privileges.' This, they said, was 'absolutely impossible.'²⁶

²⁰ MFA 118-00046-17, *gongzuo baogao (fu jian si)*, 21/9/49.

²¹ Hooper, *China Stands Up*, pp. 78-80; The ship's name was ironically evocative of the British legacy in China, bearing the same name as General Charles George 'Chinese' Gordon, who had led the Qing Empire's Ever Victorious Army against the Taiping Rebels in 1863. It was however named after an American General of the First World War- see Dictionary of American Fighting Ships Online, 1959-1991; AP117 General W.H. Gordon: URL: <http://www.hazegray.org/danfs>, accessed 16/3/11.

²² Hooper, *China Stands Up*, p. 79-83; Zhou *et al.*, *Shanghai waishi zhi*, p. 49;

²³ Zhou *et al.*, *Shanghai waishi zhi*, pp. 50, 339-41; MFA 118-00078-02, *Gedeng hao cheqiao jingguo jianbao* [Concise reports on process of evacuation of foreign nationals on the 'General W.H. Gordon'], 28/5/50-31/5/50.

²⁴ MFA 118-00078-02, *Gedeng hao cheqiao jingguo jianbao*, 28/5/50-31/5/50; Zhou *et al.*, *Shanghai waishi zhi*, pp. 339-41.

²⁵ Hooper, pp. 83, 108.

²⁶ MFA 118-00046-12, *gongzuo baogao*, 21/9/49; MFA 118-00046-17, *gongzuo baogao (fu jian si)*; 'did not really prove ...' (*shishi bing bu zhengming diguozhuyi jiang zidong fangqi qi ji de liyi yu tequan. Zhe shi jue bu hui de*, 所以尽管美帝国主义利用时机, 叫嚣 '撤侨' 利用公安局令其刊登离境申明, 给人以大批外侨离去之印象, 但事实并不证明帝国主义将自动放弃其既得利益与特权. 这是决不会的).

Foreigners in Shanghai, 1950

Table 4: Foreigners in Shanghai by nationality, November 1950

Nationality	Male	Female	Total	Percentage of Total
British	664	651	1,315	11
French	282	283	565	4.7
German	241	192	433	3.6
Japanese	280	185	465	3.9
Other ²⁷	1,529	1,249	2,678	22.4
Portuguese	580	548	1,128	9.5
Stateless	437	453	990	8.3
Stateless (White Russians)	389	612	1,001	8.4
USA	118	118	236	2
USSR	1,438	1,690	3,128	26
Total	5,958	5,981	11,939	100

Source: Table adapted from SMA B1-2-583²⁸

In November 1950 the CCP registered all the foreigners in Shanghai. They recorded a total of 11,939. There were 1,315 people counted as 'British', of whom many were in fact from the wider British empire.²⁹ The British were the largest single group from an 'imperialist' and 'capitalist' country. The presence of foreigners from around forty different countries, including former Sikh policemen, White Russians and thirty former Nazis, as well as thousands of Eurasians and 'Portuguese' from Macao, bore testimony to Shanghai's position

²⁷Including nationals of the following countries: Albania, Argentina, Austria, Australia, Belgium, Brazil, Bulgaria, Canada, Chile, Czechoslovakia, Denmark, Finland, Greece, Hungary, India, Iran, Iraq, Ireland, Israel, Italy, Japan, Korea, Luxemburg, Mexico, Myanmar, Netherlands, New Zealand, Norway, Pakistan, the Philippines, Poland, Romania, Spain, Sweden, Switzerland, Syria, Turkey, Vietnam and Yugoslavia.

²⁸SMA B1-2-583, *Shanghai Shi Renmin Zhengfu Junguanzhi Weiyuanhui Waiqiao Shiwu Chu (shou wen zhe-shifu Bangongting), cha fu ben shi waiqiao qingkuang you, 1951 nian 12 yue 10 ri, Shanghai Shi Waiqiao Guoji fenlei tongji biao, 1951 nian, 11 yue, 15 ri* [Shanghai Municipal People's Government Foreign Affairs Department (to the Shanghai People's Government's administrative office), on investigating situation of foreigners in the city, 10/12/51, Table of foreigners in Shanghai by nationality, 15/1/51].

²⁹SMA B1-2-3658, *Shanghaishi Renmin Zhengfu Waishi Chu, Shanghai Shi waiqiao gaikuang* [Shanghai People's Government, Situation of Foreign Nationals in Shanghai], 31/1/52, p. 9; for the regulations under which they were registered see *The Shanghai News*, 'Registration of Foreign Nationals from Nov. 1-30,' 25/10/50.

within global networks of empire, war and migration.³⁰ In the whole of China in March 1951, there were 26,813 foreigners from 'imperialist' and 'capitalist' countries.³¹

Shanghai's foreign population in 1950 were engaged in a multitude of occupations: there were diplomats and businessmen, dancing girls and criminals; 129 were diplomatic staff affiliated with consuls and embassies; 730 were involved in religious professions; a further 730 were management personnel in industry or commerce; 3,428 were manual workers, office workers or professionals; 4,830 were women, children and students; and 2,034 were unemployed.³²

Table 5: Occupations of foreigners in Shanghai, November 1950

Occupation		Total
Agriculture		4
Criminals		55
Dancing girls		11
Former (non-recognised) Diplomatic Representatives : 163	Commercial representatives	3
	Dependents	25
	Former Consular officials	24
	Former Consulate employees	77
Industry and Commerce: 787	Brokers/Agents	62
	Commercial capitalists	34
	Industrial capitalists	4
	Industrial and Commercial managers	541
	Salesmen	33
	Shop owners	113
	Government employees	17
Office Workers/Staff, Workers/Functionaries: 1,507	Shop workers	116
	School workers	7
	Office workers in foreign citizens' organisations	2
	Office workers in private companies	1,180
	Office workers in public companies	136
	Real estate managers	48
	Responsible persons at research centres	1

³⁰ SMA B1-2-3658, *waiqiao gaikuang*, 31/1/52, pp. 9, 17;

³¹ Liang Zhikou, 'Jianguo Chuqi Waiqiao Guanli Gongzuo Shuping' [Commentary on the work of managing foreign nationals in the early years of the nation], *Dangshi Zhongguo Shi Yanjiu* [Contemporary China History Studies] (July 2006, Vol. 13, No. 4), p. 48.

³² SMA B1-2-3658, *waiqiao gaikuang*, 31/1/52, p. 9.

Professionals: 1,080	Accountants	13
	Artists	21
	Chemists	14
	Craftsmen	18
	Doctors	117
	Engineers	141
	Housekeepers	43
	Legal advisors	4
	Musicians	127
	News journalists/editors etc	26
	Nurses and Midwives	81
	Other technicians	85
	Pharmacists	14
	Private (home) teachers	172
	School teachers	129
	Social organisation workers	75
Prostitutes/Madams		3
Religious: 730	Heads of church organisations	54
	Missionaries	442
	Nuns	234
Street pedlars		11
Street salesmen		1
Students: 902	Middle school students	424
	Primary school students	442
	University students	36
Unemployed: 1,965	Beggars	1
	Disabled people	23
	Landlords	21
	Old people	459
	Refugees (displaced persons)	2
	Secondary Landlords	16
	Unemployed	1,057
	Unemployed (who had lost their job)	386
Women and Children: 3,728	Children	1,134
	Housewives	2,594
Workers: 506	Doormen	32
	Independent labourers	168
	Machine workers	23
	Orderlies	120
	Other skilled workers	107
	Sailors	4
	Transportation workers	52
Total		11,939

Source: Adapted from SMA B1-2-3658, waiqiao gaikuang, 31/1/52, p. 9.

Foreigners in Shanghai, 1951

From December 1950 to the end of December 1951, the foreign population of the city had decreased to 8,842. Some 55 per cent of the British community had chosen to depart. Those Britons who remained represented the main foreign commercial presence in the city. The FAD noted that there would only be a significant decrease in their numbers when their businesses were closed.³³

Table 6: Reduction of foreigners of selected nationalities, November 1950 to December 1951

Nationality	Nov 1950	Dec 1951	Reduction	Percentage reduction
British	1,315	594	721	54.7
French	565	265	300	53.2
German	482	312	170	35.3
Indian	320	245	75	23.4
Italian	212	130	82	38.6
Portuguese	1,128	487	641	56.8
Spanish	217	154	63	29.1
Stateless	1,952	1,587	365	18.7
USA	236	87	149	63.1
USSR/Russian	3,128	2,653	475	15.2
Total	9,555	6,514	3,041	38.8 (Average)

Source: Adapted from SMA B1-2-3658, waiqiao gaikuang, 31/1/52, p. 17.

In August 1951 the CCP's various organs began a massive survey of Shanghai. CCP cadres, activists and students registered the details of every household, as well as every industrial and commercial enterprise. The survey also recorded the numbers of foreigners living in each district. When compared to figures from 1947 we can see quite clearly the effect of the foreign withdrawal on the demographics of certain areas. The foreign population in Changshu district reduced from 11,370 in 1947 to 2,063 in 1951; from 9,017 to 2,102 in Lujiawan; and from 3,557 to 178 in the North Sichuan Road area.³⁴ In the three areas in which the foreigners

³³ SMA B1-2-3658, waiqiao gaikuang, 31/1/52, p. 17.

³⁴ These figures are taken from the series SMA A4-2-11 to A4-2-29 (excluding A4-2-21, 22, 25, 26, 27 which are unavailable); A4-2-11 *Zhonggong Shanghai Shiwei Zhengce Yanjiushi guanyu Yangpu qu jiben qingkuang diaocha* [CCP Shanghai Municipal Committee Research Office investigation on the basic situation in

were most numerous (for which there are records), Changshu, Lujiawan and Hongkou, foreigners made up only 1 per cent, 0.6 per cent and 1.1 per cent of the total population respectively. In many areas, foreigners had all but disappeared.³⁵

The Shanghai authorities were 'impelling foreigners to leave' (*cushi waiqiao chujing*, 促使外侨出境) according to instructions given to them from the Central Committee. In 1951 encouraging Americans to leave had been their priority; only 87 remained at the end of the year and of these 34 were only waiting for their exit visas to be approved before departing. The FAD reported that:

According to the Centre's instructions, the citizens of America, Britain and other imperialist capitalist countries remaining in China, should, except for those individuals being intentionally detained, basically all be impelled to leave in 1952 (*anzhao Zhongyang zhishi. Dui canliu wo guo MeiYing deng diguozhuyi zibenzhuyi guojia qiaomin, chu you yizhi de baoliu gebie wai, ying cushi zai yi jiu wu er nian jiben shang quanbu lijing*, 按照中央指示, 对残留我国美英等帝国主义资本主义国家侨民, 除有意识的保留个别外, 应促使在一九五二年基本上全部离境).³⁶

In order to achieve this goal the authorities planned to speed the closure of foreign businesses and to intensify the 'Three-Selves Movement' in the religious sphere. This would remove the incentive for the majority of foreigners to stay. Administrative devices would also be employed. For instance, a significant number of residence permits were due to be renewed in February and September. Foreigners could be made to leave if their permits were not extended. Those foreigners whose continued presence was considered useful to the economy would have their permits renewed for a year to 'dilute' (*chongdan*, 冲淡) the negative economic effects that might accompany the withdrawal of large numbers of foreigners.³⁷

Yangshupu district], October 1951. The remaining files in this sequence refer to the following districts: A4-2-12, Yulin; A4-2-14, North Sichuan Road; A4-2-15, Hongkou; A4-2-16, Beizhan; A4-2-17, Zhabei; A4-2-18, Huangpu; A4-2-19, Laozha; A4-2-20, Xincheng; A4-2-23, Songshan; A4-2-24, Luwan; A4-2-28, Changning; A4-2-29, Changshu; Figures for 1947 can be found in: SMA Y15-1-201-593, *Shanghai gaikuang; xia bian, Waiqiao* [Shanghai Outline, second volume: foreigners], April 1949, pp. 591-2.

³⁵ SMA A4-2-17, *Zhonggong Shanghai Shiwei Zhengce Yanjiushi guanyu Zhabei Qu Jiben Qingkuang Diaocha* [CCP Shanghai Municipal Committee Research Office Investigation on the Basic Situation in Zhabei District], 15/11/51.

³⁶ SMA B1-2-3658, *waiqiao gaikuang*, 31/1/52.

³⁷ Ibid.

Restriction of movement

'For the last one hundred years' wrote Mayor Chen Yi in November 1949, Shanghai had been a 'nest of reactionaries and imperialists' (*diguozhuyi fandong pai de laochao*, 帝国主义反动派的老巢). It was an 'international metropolis with frequent comings and goings' (*guoji jian wang lai pinfan zhi dushi*, 国际间往来频繁之都市). In future, movement in and out of the city would have to be controlled strictly.³⁸ In March 1950 the Shanghai FAD reported their concerns about the effects of the departure of such a large number of foreigners to Beijing. They wanted foreigners to leave, but they also wanted them to do so in an orderly manner, ensuring that their enterprises and organisations were not simply abandoned. Further delays in the issuance of exit permits were caused by the FAD's limited resources and lack of experience. In order to solve this problem, the FAD planned to have workers in each business hold their foreign bosses accountable.³⁹ With restrictions placed on their movement, the FAD reported, 'the imperialists, would be no longer able to [use the economic circumstances] to spread disorder' (*diguozhuyi zhe yi wusuo liyong lai jinxing daoluan*, 帝国主义者亦无所利用来进行捣乱).⁴⁰

In July 1949, the Public Security Bureau announced that they would start accepting applications for exit permits. They stated that applications would be approved as long as the applicant had no outstanding debts, ongoing civil disputes or criminal cases pending.⁴¹ Entry and exit to Shanghai was conditional on the approval of the FAD, though individual decisions were often made by Zhou Enlai himself.⁴²

³⁸ SMA B1-2-294, *Shanghai Shi Gongyong Ju, Shanghai Shi Renmin Zhengfu Waiqiao Shiwu Chu deng danwei guanyu waiqiao chujing guanli wenti de zhishi* [Instructions to the Shanghai Public Utility Bureau, Shanghai People's Government Foreign Citizens' Affairs Bureau and other work units on the departure of foreigners], November 1949- March 1950, pp. 7-9.

³⁹ SMA B1-2-3658-1, *gongzuo zongjie*; MFA 118-00046-12, *gongzuo baogao*, 21/9/49.

⁴⁰ SMA B1-2-3658-1, *gongzuo zongjie*.

⁴¹ MFA 118-00046-17, *gongzuo baogao*, 21/9/49; MFA 118-00046-11, *gongzuo baogao (fu jian shier)*, 1/6/49-30/11/49; Zhou *et al.*, *Shanghai waishi zhi*, pp. 49, 338.

⁴² For example, on the 29th October 1949 Zhou Enlai personally approved the entry of 7 foreigners. They were British and French employees of the Shanghai Waterworks Company and the French tram company who were accompanied by their wives; *Jianguo yilai Zhou Enlai wengao*, Vol. 3, July 1950 to December 1950, p. 477, see also pp. 610-11 for a separate group of British and Indian citizens approved for admission in December.

A large number of Chinese capitalists had abandoned their assets and fled to Hong Kong or Taiwan.⁴³ This did not set a precedent for foreign interests. The movement of foreign businessmen was more tightly controlled. Each business, Chinese or foreign, had to nominate a 'responsible person' (*fuzeren*, 负责人), who was to be held personally responsible for the business. Foreign 'responsible persons' could not leave Shanghai until a government-approved replacement was nominated.⁴⁴ To be allowed to leave, foreigners had to present a document guaranteeing that production would not be affected by their departure.⁴⁵ Electric & Musical Industries Ltd. (EMI) discovered this in May 1950. EMI were tired of sending good money after bad and so they decided not to remit any further funds into Shanghai. They discharged their local agent with a view to abandoning their assets. The agent wrote back, informing them that abandonment did not absolve liability. He, as the 'responsible person', would be held personally responsible. They would have to close the factory formally, according to the desires of the Chinese authorities.⁴⁶

One case of successful abandonment occurred in 1950 when Pryor, the manager of the Kailuan Mining Administration, left for Japan to negotiate for future exports and never returned. The Administration's mining permit, which had been issued by the former government, was due to expire in November 1950. After Pryor's departure the Chinese trustees requested that the mines be put under government custody. The government took full control in 1952.⁴⁷

⁴³ SMA A4-1-11, *Zhonggong Shanghai Shi Wei Yanjiu Shi, Shanghai Shi Laodong Ju guanyu 1949 nian, 1950 nian laozi jiufen qingkuang de baogao* [CCP Shanghai Municipal Committee Research Bureau, Shanghai Labour Bureau, report on labour-capital dispute resolution in 1949-1950], 1950; *Shanghai Shi Renmin Zhengfu Laodong Ju, guanyu laozi guanxi de buchong baogao* [Shanghai People's Government Labour Bureau, supplementary report on labour-capital relations], 18/5/50; TNA FO 371/83347, British Commercial Policy in China: Trading conditions and positions of British firms in China, 1950; Shanghai to Foreign Office, No. 502, 14/5/50.

⁴⁴ TNA FO 371/83347, British Commercial Policy in China; Shanghai to Foreign Office, No. 502, 14/5/50.

⁴⁵ MFA 118-00046-17, *gongzuo baogao (fu jian si)*, 21/9/49.

⁴⁶ TNA FO 371/83348, British Commercial Policy in China; Trading conditions and positions of British firms in China; Electric & Musical Industries Limited to N.C.C. Trench, Foreign Office, 25/5/50; Benson, EMI (China) to Electric & Musical Industries Limited, Shanghai to Foreign Office, No. 564, 31/5/50; Electric & Musical Industries Limited to Benson, EMI (China), Foreign Office to Shanghai, No. 541, 10/6/50; Benson, EMI (China) to Electric & Musical Industries Limited, Shanghai to Foreign Office, No. 608, 15/6/50; Electric & Musical Industries Limited to Benson, EMI (China), 19/6/50.

⁴⁷ Shao, *China, Britain*, pp. 116-18; TNA FO 371/83345, British Commercial Policy in China: Trading Conditions and Positions of British firms in China, 1950; Note of a Discussion with Mr. Nathan about the Position of the Kailuan Mining Administration, held in the Foreign Office on the 30th March.

Before the abandonment, the Administration had approached the Chinese authorities, asking them to take over the company's assets in exchange for discharging their liabilities. This approach alarmed Foreign Office observers who saw it as 'a bad bargain.' 'Any sign of weakness in China' one observer noted, 'would prejudice the position of British concerns all over the world.' Particularly worrying were the implications this might have for British interests in Iran, Malaya and elsewhere in the formal and informal empire where post-war British influence was encountering nationalist opposition. The Foreign Office hoped that the Chinese would have to either ease the pressure on foreign firms or take them over with compensation. The Chinese would in fact take a third route.⁴⁸

Figure 10: Celebrations at the takeover of the Kailuan Mining Administration (1)



⁴⁸ TNA FO 371/83345, British Commercial Policy in China: Trading Conditions and Positions of British firms in China, 1950; Record of a Meeting held in the Foreign Office on the 30th March to discuss the position of British Firms in China.

Figure 11: Celebrations at the takeover of the Kailuan Mining Administration (2)

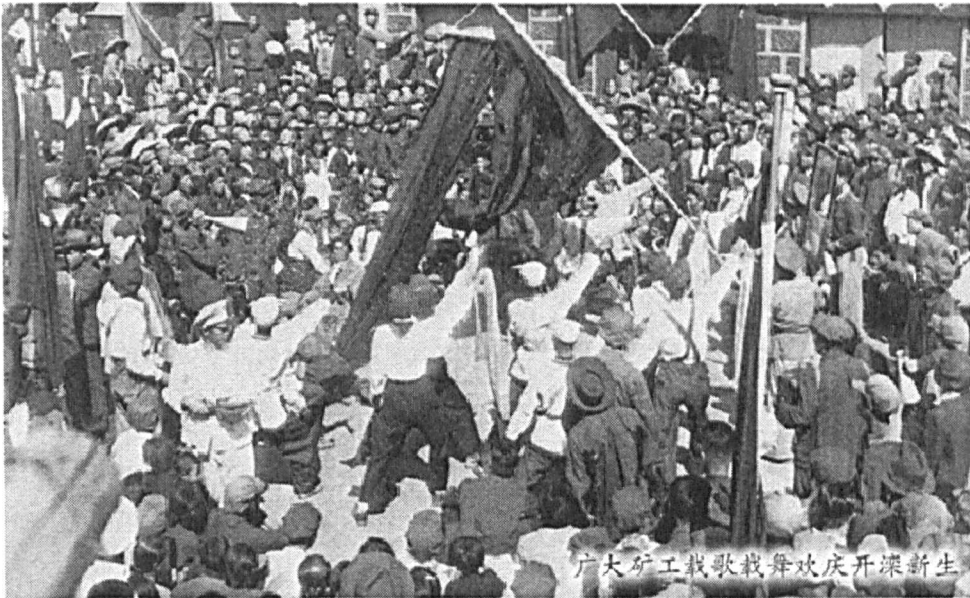


Figure 12: Celebrations at the takeover of the Kailuan Mining Administration (3)



There was nothing new about the exit permit system. Even before the takeover, foreigners had been required to apply for exit permits, without which they would be unable to purchase

tickets for their passage out of the city.⁴⁹ The CCP turned this system from an administrative procedure into a strategic tool for controlling the movement of specific foreigners. The archival records in London and in Beijing are full of examples of people who waited for years to receive their exit permits without being informed of the reasons for the delay.⁵⁰ For example, an American national named William Christian, of the British American Tobacco Company, first applied to leave Shanghai in April 1951. His application was still not approved even after BAT (China) was closed down in 1952 and the 66-year-old had suffered a severe heart attack. British diplomats made representations to the Chinese in 1953, asking them to end his 'physical and mental sufferings' and to allow him to return home. His exit visa was finally approved after the Shanghai FAD pointed out to the Ministry of Foreign Affairs that although he was being detained over a 'political problem', the last thing they wanted was for him to die in China.⁵¹

Despite the presence of large numbers of cases like Christian's in the archives, the number of foreigners in Shanghai did decrease quite quickly. Cases such as this were the exception rather than the rule.⁵² Nevertheless, the actual process of applying for exit permits remained tedious and difficult for all.⁵³ The detention of British businessmen in Shanghai through the use of exit permit procedures has been portrayed by historians and contemporaries as 'hostage' taking.⁵⁴ Writing from Beijing in February 1953, Leo Lamb pointed out that the situation was actually a little more complicated. Many businessmen realised that the only way to get out of China was to close their companies or transfer their assets into Chinese hands;

⁴⁹ See the advice of Randall Gould's wife Dorothy to newcomers in Dorothy Gould, *Do's and Don'ts For Foreigners Coming to Shanghai Today* (Shanghai: The Mercury Press, 1947), pp. 5-6.

⁵⁰ MFA 118-00014-01, *Yingguo tanpan daibiao Lan Laina chenshu Yingguo shangren zai Hua maoyi shoudao xianzhi shi* [British Chargé d'Affaires ['Negotiation Representative'] L.H. Lamb statement that trade of British merchants in China is being restricted], 12/4/52; Letter from L.H. Lamb to Zhang Hanfu, 12/4/52; For infringement of human rights see; TNA FO 676/492, Foreign business interest in China: British, 1954; S. Schiffmann, Behr & Mathew Ltd., Shanghai to A. Veitch, Consul General Shanghai, 4/2/54.

⁵¹ MFA 118-00471-04, *Yingguo tanpan daibiao chu guanyu qing pizhun Shanghai Yizhong Gongsu guyuan Meiguo qiaomin Ke Tezhen fufu chujing shi, zhi Waijiao Bu de zhaohui ji guanyu gai an de chuli shi* [British Chargé d'Affaires' ['Negotiation Representative's'] Office regarding request for approval for employee of Yee Tsoong Tobacco Company Christian and wife to leave the country, diplomatic note to Ministry of Foreign Affairs and [details of] resolution of this case], 21/4/53-16/6/53; TNA FO 676/494, Foreign business interest in China: British American Tobacco Co Ltd, 1954; H.V. Tiencken, BAT (China) to Foreign Nationals Section of Public Security Bureau, Shanghai, 7/5/50.

⁵² MFA 118-00046-12, *gongzuo baogao*, 21/9/49; Zhou *et al.*, *Shanghai waishi zhi*, p. 345.

⁵³ Hooper, *China Stands Up*, pp. 78-80

⁵⁴ See for example Thompson, *China's Nationalization*.

once they had done so they were free to leave.⁵⁵ Other companies refused to transfer their assets and wished to either persevere in the hope of better times, or to force the government to expropriate their assets to lay the groundwork for a future compensation claim. Shanghai managers were therefore often detained in China as the result of their own directors' policies.⁵⁶

Entry permits were also hard to obtain. Once foreigners were inside China, they were obliged to register for a residence permit (*juliuzheng*, 居留证).⁵⁷ In this way, the CCP were able to monitor the numbers, nationalities and occupations of the foreign population and to increasingly restrict their freedom of movement. The registration of foreigners was part of much wider development of the *hukou* (户口) household registration system through which the government was able to control the movement of China's vast population.⁵⁸ Foreigners had to request permission to be allowed to travel away from Shanghai. They were not usually allowed to travel to more than one destination, or for longer than two weeks.⁵⁹ In December 1950 the manager of the International Export Company requested to be allowed to go to Xuzhou to procure wool. Zhou Enlai wrote to the head of the Shanghai FAD saying 'for foreigners to go into the interior and purchase supplies is disadvantageous to us', so the request was denied.⁶⁰

⁵⁵ TNA FO 371/108082, Closure of British firms in China; detention of British businessmen; direct approaches by British firms to the Central Government of China, 1953 (part 1, pp. to 59); Lamb, Beijing to Foreign Office, No. 112, 16/2/53.

⁵⁶ See for example the case of S. Schiffman, the Shanghai manager of S. Behr and Mathew discussed in Chapter Five.

⁵⁷ SMA B1-1-1159, *Shanghai Shi Renmin Zhengfu Gonganju, Shanghai Shi Renmin Zhengfu Waishi Chu guanyu ni ding Shanghai Shi waiqiao hukou guanli zanxing banfa (cao an)*, [Shanghai People's Government Public Security Bureau, Shanghai People's Government Foreign Affairs Department, regarding the establishment of measures for management of 'household registration' of foreigners (draft)], 3/2/51.

⁵⁸ Cheng, Tiejun and Selden, Mark, 'The Origins and Social Consequences of China's Hukou System,' *The China Quarterly*, No. 139 (Sep., 1994), pp. 644-53.

⁵⁹ *Shanghai Gong'an Ju Gong'an Shi Zhi*, p. 283 see also Liang, 'Jianguo chuqi waiqiao guanli,' p. 50.

⁶⁰ Zhou Enlai, *Zhonggong Zhongyang wenxian yanjiushi, Zhongyang Dangangan bian, Jianguo yilai Zhou Enlai wengao, di san ce, 1950 nian 7 yue - 1950 nian 12 yue* [Zhou Enlai's Manuscripts Since the Founding of the People's Republic of China, Vol. 3, July 1950 to December 1950] (Beijing: Zhongyang wenxian chubanshe, 2008), p. 662.

The Shanghai News and foreign life in Communist Shanghai

Lists of names of those who had their exit permits approved were printed in the government's official English-language newspaper *The Shanghai News*. They were eagerly awaited by those foreigners who felt themselves to be trapped in limbo. The *News* was established in June 1950 and was intended as a means of communicating the government's rules and regulations to foreigners and to help the 'English-reading public to acquire an understanding of the new Shanghai and of the new China.'⁶¹ In its earliest issues the newspaper focused on positive messages regarding the Communists' successes, with headlines such as 'Shanghai's New Day Has Dawned' and 'Industry and Commerce of Shanghai during the Last Year.' These worthy pieces sat side-by-side with the cinema advertisements discussed in Chapter Two. The content of the *News* became more vitriolic and scathing as the Korean War intensified and the atmosphere in Shanghai became increasingly politicised.

The attitude of most foreigners towards *The Shanghai News* tended to reflect their attitude to 'New Shanghai' more widely. The paper had been conceived of as a means of propagandising towards foreigners, but the British community in Shanghai soon grew bored of its shrill tone. There was an enormous gap in understanding between its Communist editors and foreign readers.⁶² If it were not for the publication of the exit permit lists the paper would have scarce have been bought at all.

During the Three Antis Campaign, many of the educated English-speaking staff of the *News* were accused of 'degenerate bourgeois thinking' (*zichajieji de fuxiu sixiang*, 资产阶级的腐朽思想).⁶³ In October 1952 further concerns were raised about the strength of the Party's control over the *News*. The editorial board had not kept up with the political movements sweeping across Shanghai. They had a 'severely bureaucratic working style' (*yanzhong guanliaozhuyi zuofeng*, 严重官僚主义作风).⁶⁴ Given the authorities' concerns about the political reliability of *The Shanghai News* it is perhaps not a coincidence that the paper was

⁶¹ *Shanghai Xinwen Zhi*, p. 260; *The Shanghai News*, 'To Our Readers' [Announcement in First Issue], 10/6/50.

⁶² *The Shanghai News*, see for instance the paper's coverage of the Korean War in January 1951 which featured several articles by controversial pro-Communist British journalist Alan Winnington.

⁶³ SMA B35-2-112-1, *Shanghai Xinwen* 'San Fan' Yundong Zongjie baogao (caoan) [Summary report of the 'Three Antis' Campaign in *The Shanghai News* (Draft)], 1952.

⁶⁴ SMA A22-2-73, *Shanghai Shi Renmin Zhengfu Dangdaihui shang guanyu* 'Shanghai Xinwen' gongzuo wenti de tian [Shanghai People's Government Party Congress proposal on work problems at '*The Shanghai News*'], 21/10/52-24/10/52.

closed in December 1952.⁶⁵ With the closure of the *News*, remarked one former resident of Shanghai, the English-reading community were deprived of their 'last remnant of 'cultural breakfast food.''⁶⁶

Shanghai was changing. The drastic decline in the number of foreigners and the CCP's moral approach to urban governance had serious impacts on the social scene. Before the Communist takeover foreign social life had centred around the city's various sporting and social clubs. By the end of 1951, the majority of these clubs had closed because of the departure of so many of their members and the imposition of high taxes and other pressures by the authorities.⁶⁷ With people seeking to escape all liabilities which might delay their exit, it was difficult to find people to serve as the 'responsible person' for clubs and societies and to be personally accountable for their finances and closure. With the dramatic fall in their membership the British Residents' Association, British Women's Association, national societies (St. George's, St David's etc.), the British School and Chamber of Commerce, which had previously been such fixtures of community life, all closed. Sporting and cultural organisations (the rowing club, amateur dramatic society etc) followed suit. The Bowling Club was doing well, it was said, because it was the sole male-only venue left in the city.⁶⁸

As clubs closed, the buildings that housed them found new purposes. The iconic Shanghai Club became the International Seamen's Club.⁶⁹ In 1953, the Hung Jao Golf Club and the Country Club closed, leaving the French Club as the only remaining social venue. The changeovers could sometimes lead to farcical or surreal situations. For example, the French Club hosted one last party before it was taken over on New Year's Day 1954. Having seen in the New Year in style, the revellers trooped out at 2am dressed in their finery, while Communist cadres in blue cotton 'Mao suits' filed in carrying artworks. In the morning, the

⁶⁵ *The Shanghai News*, 'Notice,' 28/12/52; Shanghai Xinwen Zhi Bianzuan Weiyuanhui [Record of News in Shanghai Compilation Committee], *Shanghai Xinwen Zhi* [Record of News in Shanghai] (Shanghai: Shanghai Shehui Kexueyuan Chubanshe [Shanghai Academy of Social Sciences Publishing House], 2000), p. 260; The official record states that this decision was taken due to declining sales and was also so that the publishing plant could be used to publish the periodical 'China Reconstructs' (*Zhongguo Jianshe*, 中国建设) in Beijing.

⁶⁶ NARA RG 59, Box 4203, 793.00/1-2253, Consul General Zurich to Department of State, No. 240, 22/1/52; Peripheral: News Items From China.

⁶⁷ NARA CREST CIA Archive, Information Report; Present State of Shanghai's Foreign Community/Business Conditions/Appearance of City, 6/11/51.

⁶⁸ TNA FO 371/108089, British institutions in Shanghai, many in process of dissolution, 1953.

⁶⁹ SMA B182-1-461-187, *Shanghai ruhe cong xiaofei chengshi*, 25/4/53, pp. 187-190; Bickers, *Britain in China*, pp. 241-2.

club would reopen as the People's Art Gallery.⁷⁰ Most foreigners admired the new order in the city, the clean streets and honest (if unfriendly) officials, but the loss of the legendary gaiety of 'old Shanghai' was much lamented.

As their favourite bars, clubs and entertainment venues were closed one by one, foreigners found themselves living increasingly boring and claustrophobic lives. They became introverted. They hosted ever-more elaborate dinner parties at their homes, which were spoiled only by the tedious repetition of well-worn conversations among a shrinking social circle; 'Who had got an exit permit? Was there any sign of hope on the horizon?'

⁷¹

One particular topic of complaint was that the price of imported foreign commodities was very high and home comforts became ever more difficult to find.⁷² This was particularly keenly felt with alcohol. Social life revolved around drink, but whiskey and gin, as well as other such luxuries, became prohibitively expensive.⁷³ Scotch whiskey reached US\$15 a bottle and the foreign community had to turn for the most part to vodka and gin distilled locally by the EWO Brewery.⁷⁴ The parties at which the alcohol was consumed changed in other ways too. It seems that the Communist takeover and reduction of the foreign population had a levelling effect socially. One HSBC bank employee recalled that for the first time their property department's engineer was invited to parties, where 'once upon a time no one would have dreamt of inviting the Bank's engineer to a party.'⁷⁵

Struggling to support itself, the once-exclusive Palace Hotel had now opened its doors to all with signs on its windows informing customers 'Cheap Lunches Served Quickly' and 'No Tips.' 'Come and be a High Class Man – Dine at the Park Hotel' read another. The most famous Chinese restaurants, the Golden Gate, Ham Kuo and Hung Lin displayed similar signs. 'Coolies and labourers' reported an American intelligence agent, 'can be seen sitting in the Park Hotel lounge, and when they argue with the hotel's well-to-do guests, as they often

⁷⁰ HSBC 1641/005/C, Burch, Francis Richard, pp. 94-6; King, *Hongkong and Shanghai Banking Corporation*, Vol.4, p. 381.

⁷¹ Humphrey Trevelyan, *Worlds Apart; China 1953-55 U.S.S.R. 1962-65* (London; Macmillan Ltd., 1971), pp. 15, 20, 51-2, 55-6.

⁷² NARA CREST CIA Archive, Information Report; Present State of Shanghai's Foreign Community/Business Conditions/Appearance of City, 6/11/51.

⁷³ Captain W.J. Moore, *Shanghai Century* (Ilfracombe, Devon: Arthur H. Stockwell Ltd., 1966), pp. 125, 136.

⁷⁴ NARA CREST CIA Archive, Information Report; Present State of Shanghai's Foreign Community/Business Conditions/Appearance of City, 6/11/51.

⁷⁵ HSBC 1641/016/C, O.P. Edwards, p. 95; King, *Hongkong and Shanghai Banking Corporation*, Vol.4, p. 375.

do, the police do not intervene.' Although many of the city's nightclubs (including the Park Hotel, Ciro's, the French Club and the Palace Hotel) remained open for some time, liquor was banned and the walls were covered with posters admonishing customers to be moral citizens.⁷⁶

Doing business in Communist Shanghai

The New Democratic economy

Approaching the task of running China's economy in May 1949, Mao (rather coarsely) likened the CCP to a 'a girl who, when marrying, knowing that she will have to bear children, but not knowing how it will be, she still knows that it will be inevitable and so [she] marries.' They knew the 'general direction' they wanted to take, but were not sure exactly how to achieve their goals. Stalin's representative in Beijing, Kovalev, bemoaned the CCP's lack of economic expertise; the central government's 'economic centre,' he reported to Moscow, had been almost entirely planned by him.⁷⁷

New China's economy was to be 'New Democratic,' meaning that for the time being socialist transformation would be postponed and capitalism encouraged. The CCP lacked the capital, cadres, experience and resources needed to revive the national economy without help from capitalists.⁷⁸ Efforts were made to encourage 'national capitalists' (any Chinese capitalist willing to cooperate) to stay in Shanghai.⁷⁹ The urbane Vice Mayor Pan Hannian courted the city's capitalists, promising them protection, loans and profits.⁸⁰ Historians have long seen this New Democratic stage as little more than a cover for the Communists' real intentions. They suggest that the Communists had no intention of allowing private enterprise to continue to exist for more than a few years. Bennis Wai-yip So has argued to the contrary that, 'there was no hidden Party agenda to nationalise the private sector before 1953.' The CCP, he argues, believed that China needed more capitalism, not less. Capitalism was seen as a chaotic and unequal system, so it would have to be strongly regulated. They intended to use

⁷⁶ NARA CREST CIA Archive, Information Report; Conditions in Shanghai, 31/8/50.

⁷⁷ CWIHP, Cable, Kovalev to Stalin, 17/5/49.

⁷⁸ Zhou Enlai, *Jianguo yilai Zhou Enlai wengao*, Vol. 3, p. 369.

⁷⁹ Zhou Erfu, 'Chen Yi tongzhi jiekai xin Shanghai lishi di yi ye' in *Chengshi jieguan qinli ji*, pp. 576-9; See for example the case of Liu Hongsheng in Sherman Cochran, 'Capitalists Choosing Communist China; the Liu Family of Shanghai, 1948-56,' in *Dilemmas of Victory*, pp. 359-86.

⁸⁰ Bergère, *Shanghai*, pp. 350-5.

economic planning and regulation of the market to help grow the private sector and develop the economy, while avoiding wide-scale nationalisation.⁸¹

They were initially even reluctant to form state-private joint enterprises, for fear of alarming capitalists who might see this as a step towards nationalisation.⁸² Such enterprises were only to be created in cases where the company had previously been part-owned by 'bureaucratic capitalists' who had fled, or to ensure the smooth running of companies considered crucial to the 'people's livelihood'.⁸³

Enterprises, such as banks, railways and airlines, whether Chinese-owned or foreign-owned, which are either monopolistic in character or too big for private management, shall be operated and administered by the state, so that private capital cannot dominate the livelihood of the people: this is the main principle of the regulation of capital.⁸⁴

The Centre's policy was seen as appeasement by some local cadres, but in June 1950 Mao exhorted them to 'not hit out in all directions.' They had to 'struggle against [the national bourgeoisie] on the one hand and unite with them on the other.'⁸⁵ In the months that followed the private sector gradually recovered. Capitalists were allowed to make significant profits and in 1951 production was 60 per cent higher than in 1949.⁸⁶

The CCP sought to make use of the private sector. The problem came when they failed to understand the dynamics of capitalism. In order to eliminate the chaos of capitalism, the CCP placed increased controls over the supply of raw materials and the purchase of finished products. This turned private factories into little more than state contractors.⁸⁷ Attempts to

⁸¹ Bennis Wai-yip So, 'The Policy-Making and Political Economy of the Abolition of Private Ownership in the Early 1950s: Findings from New Material,' *The China Quarterly*, 2002, No. 171, pp. 682-703; Gao, *Hangzhou*, pp. 76-9.

⁸² See for example the correspondence between Zhou Enlai and Bo Yibo in Zhou Enlai, *Jianguo yilai Zhou Enlai wengao*, Vol. 3, pp. 45-6 in which Bo recommends that the CCP show restraint towards taking over, purchasing or investing in foreign firms to avoid the appearance that they were 'taking advantage' of the capitalist's difficulties (*chenggrenzhiwei*, 乘人之危).

⁸³ So, 'The Policy-Making,' pp. 682-703.

⁸⁴ Mao, 'On New Democracy,' pp. 338-84.

⁸⁵ Mao, 'Don't Hit Out in All Directions,' 6/6/50, *Selected Works*, Vol. V, pp. 33-6.

⁸⁶ Bergère, *Shanghai*, pp. 354-5; see also Deng Xiaoping, 'The Situation Following our Triumphant Advance to the Central Plains and our Future Policies and Strategy,' 25/4/48, *Selected Works of Deng Xiaoping*, Vol. 1; in which Deng stated 'While opposing profiteering and monopoly, we should still allow businessmen to make money. Without specific policies practical problems cannot be solved.'

⁸⁷ On state control over the management of resources see Toby Ho, 'The Suppression of Private Entrepreneurs in China in the 1950s,' *Risk Management*, Vol. 2, No. 2 (2000), pp. 29-38.

develop the private sector failed in the absence of a market economy. CCP leaders like Zhou Enlai knew that there was a contradiction between state planning and private enterprise. By September 1950, however, it seemed as though the state sector was already leading the way in many areas: private capitalism was serving state capitalism and was moving away from its former chaotic state.⁸⁸

Seen in this light, the transition to socialism in 1953 was a pragmatic decision taken in late 1952, based on the misconception that the state sector was superior to the private.⁸⁹ The position of foreign companies in Shanghai was similar to that of Chinese companies; the CCP were hostile to them in principle and intended to eliminate them in the future, but were willing to make use of them for the time being. This was particularly true in economic sectors such as shipping and trade where China's own resources were severely underdeveloped.

Foreign business in New Democratic Shanghai

At the time of the Communist takeover in 1949 there were around 1,000 foreign enterprises in China employing 120,000 Chinese workers. 50 per cent of these were funded with British capital.⁹⁰ In June 1950, there were 685 foreign businesses remaining in Shanghai employing nearly 50,000 Chinese workers.⁹¹ Of these enterprises, 185 were British (27 per cent), 155 American and 41 French. Capital from these three countries alone accounted for 91.4 per cent of the total foreign capital invested. They held 99 per cent of all real estate occupied by foreigners and employed 95.5 per cent of the total number of Chinese workers employed in all foreign firms.⁹²

⁸⁸ Zhou Enlai, *Jianguo yilai Zhou Enlai wengao*, Vol. 3, p. 368.

⁸⁹ So, 'Policy-Making,' pp. 682-703.

⁹⁰ Wu, '*Jianguo chuqi de jingji geju*,' pp. 75-6.

⁹¹ He *et al*, *Shanghai waishi sishi nian*, p. 12.

⁹² Zhou *et al*, *Shanghai waishi zhi*, p. 314.

Table 7: Foreign businesses in Shanghai, June 1950⁹³

	No. Enterprises	Per cent	Chinese Workers	Per cent	Capital (10,000 RMB)	Per cent	Real Estate (<i>mu</i>) ⁹⁴	Per cent
British	185	27	29,313	61	3,700	34.8	7,224	65
French	41	6	3,836	8	2,863	26.9	633	5.4
USA	123	18	12,773	26.5	3,162	29.7	3,102	28
Swiss	35	5	801	1.7	533	5	45	1.6
USSR	128	18.7	410	0.8	14	0.1	4	
Other ⁹⁵	173	25.3	961	2	369	3.5	127	
Total	685	100	48,094	100	10,641	100	11,135	100

Source: Adapted from Zhou et al, *Shanghai waishi zhi*, p. 315.

Foreign firms dominated whole sectors of the commercial economy, including banking, finance, insurance and real estate.⁹⁶ The import and export trade was largely controlled by the great foreign 'hongs' [merchant houses]: Jardine Matheson & Co. and Butterfield & Swire. These important companies also acted as general agents for a multitude of industrial and commercial enterprises. Butterfield & Swire were agents for the China Navigation Company, the Blue Funnel Line, various insurance companies, and the Taikoo Sugar Refining Company. They managed Holt's Wharf and the Orient Paint Colour and Varnish Company. They were also associated with a trading company named Swire & Maclaine. Butterfield & Swire and their affiliates employed a total of 1,054 Chinese workers.⁹⁷

In industry, whole sectors were dominated by foreign companies and their well known brands. Products from the EWO Brewery, China Soap Company and the Yee Tsoong Tobacco could be found as far away as Tibet. The majority of Shanghai's public utility companies were foreign-owned, a legacy of the city's foreign administration. Foreign companies produced 91 per cent of all power in Shanghai, Along with was 76 per cent of the gas and 71 per cent of

⁹³ Zhou et al, *Shanghai waishi Zhi*, p. 315.

⁹⁴ One *mu* is equal to 666m².

⁹⁵ 'Other' here includes enterprises owned by nationals of the following 27 countries- Austria, Belgium, Canada, Czechoslovakia, Denmark, Germany, Greece, Hungary, India, Iran, Iraq, Italy, Korea, Japan, the Netherlands, New Zealand, Norway, Romania, Spain, Sweden, Turkey, Pakistan, Panama, the Philippines, Poland, Portugal and stateless people.

⁹⁶ SMA B1-2-3658-1, *gongzuo zongjie*.

⁹⁷ JSSCA CHINA CL6, Withdrawal from China, pp. 4-5.

the water. The Shanghai Electric Construction Company (hereafter referred to as the British Tram Company) operated the major tram routes that served the heart of the city.⁹⁸

The blockade of Shanghai and the ongoing inflationary crisis seriously damaged the position of foreign businesses. Most firms had to remit large sums of money in order to keep businesses going. In late 1949 and early 1950 British firms were sending an estimated average of £150,000 monthly at a very unfavourable rate of exchange.⁹⁹ In April 1950, industrial concerns began to face new problems emerging from what John Kenyon, the Shanghai manager of the textile manufacturers Patons & Baldwins, called 'an overdose of deflationary medicine.'¹⁰⁰ Deflationary measures meant that those who had incurred debts during the period of inflation found their scheduled repayments out of proportion with their incomes. As the currency depreciated, loans did not write themselves down accordingly.¹⁰¹ The industrial sector was hit particularly hard; deflation reduced commodity prices, which in turn reduced the incentive for production: lower production meant lower wages and a further fall in demand. In order to meet their tax obligations, many companies were offering their goods and stocks for sale at less than the price of manufacture, but as everyone was under the same pressures, there were no buyers. A few small enterprises, such as the Bakerite Chocolate Shop and the Paramount Ballroom, had already been forced to close down.¹⁰² The People's Bank and Chinese People's Insurance Company took the majority of business in banking and insurance, which left foreign firms with much reduced incomes. By May 1950 the number of foreign insurance companies operating in China had reduced from 70 to 27, of which 20 were British.¹⁰³

⁹⁸ He *et al.*, *Shanghai waishi sishi nian*, p. 12.

⁹⁹ TNA FO 371/83345, British Commercial Policy in China: Trading Conditions and Positions of British firms in China, 1950; Meeting held in the Foreign Office on 3/4/50 to discuss further the position of British firms in China; British Chamber of Commerce Memorandum; 'The Present Position Facing British Firm in Shanghai and the Problem of Retrenchment.'

¹⁰⁰ TNA FO 371/83345, British Commercial Policy in China; Shanghai to Foreign Office, No. 377, 15/4/50.

¹⁰¹ TNA FO 371/83348, British Commercial Policy in China; N.C.C. Trench, Minute 1/7/50 on Shanghai to Foreign Office, 565, 9/6/50; TNA FO 371/83347, British Commercial Policy in China: Trading conditions and positions of British firms in China, 1950; Shanghai to Foreign Office, No. 502, 14/5/50.

¹⁰² TNA FO 371/83346, British Commercial Policy in China: Trading Conditions and Positions of British Firms in China, 1950; China Association Bulletin, No. 47, 20/4/50.

¹⁰³ Shao, *China, Britain*, p. 51.

Taxes were particularly high because the new government suffered from a shortage of funds.¹⁰⁴ Moreover, the tax system had been created from scratch and so it was, perhaps understandably, full of uncertainties. Butterfield & Swire complained that they were often forced to over-pay first and try in vain to reclaim the surplus later. Between 1951 and 1953, their subsidiary the China Navigation Company paid over £10,000 a year more to the Tax Bureau than it should have, but the money was never returned. Income Tax was 'often an unknown quantity' based on a perceived 'ability to pay' rather than on actual business conducted or profit made. There was also the problem that tax payments made were not considered final. Assessments from previous years could always be reopened. New laws and regulations were often imposed retroactively to extract new sums. According to Butterfield & Swire, their Chinese staff served as informers and alerted the Tax Bureau to missing sums.¹⁰⁵ Though many foreign firms felt that they were being unjustly treated, the British representative in Beijing pointed out that:

... in matters of taxation all our evidence is to the effect that Chinese capitalists (and indeed even industrial workers as well as peasants) are taxed to the utmost possible limit; insofar as closing down factories and reduction of staff is true, Chinese employers are at least as rigorously treated as foreign employers, receiving Government permission for such retrenchment no more readily and being equally obliged to come to terms with their workers as a necessary preliminary.¹⁰⁶

The British representative had a point: rather than simply punishing foreign capitalists, in the early period the CCP were in fact trying to raise revenue through punitive taxation. Later 'crippling taxation' (*sunshui*, 损税) would be used as a more deliberate means of 'squeezing' foreign capitalists.¹⁰⁷

One of Butterfield & Swire's key complaints in business affairs was that, despite the fact that there were regulations and laws in place to decide labour disputes, tax evaluations and legal affairs on a fair and 'impartial' basis, all too often they were 'manipulated to suit political convenience.'¹⁰⁸ In order to meet tax demands, foreign companies had three options: to increase earnings; to decrease expenditure or sell assets; or to draw on reserves in China or

¹⁰⁴ Shao, *China, Britain*, pp. 45-8.

¹⁰⁵ JSSCA CHINA CL6, Withdrawal from China, pp. 24-9; TNA FO 371/83345, British Commercial Policy in China; Shanghai to Foreign Office, No. 317, 1/4/50.

¹⁰⁶ TNA FO 371/83347, British Commercial Policy in China; Beijing to Foreign Office, No. 473, 5/5/50.

¹⁰⁷ MFA 102-00235-01, *duiwai zhengce*, 01/01/51-30/01/51.

¹⁰⁸ JSSCA CHINA CL6, Withdrawal from China, p. 24.

held overseas by the head office. The most desirable of these was retrenchment, and yet foreign firms found the procedures for retrenchment 'theoretical only.' All attempts to reduce production or disperse the workforce were refused by the authorities.¹⁰⁹

Butterfield & Swire's attempts to increase their earnings also ended in disappointment. In 1951 the government trading corporations (established to place control over foreign trade into government hands) began to expand their operations.¹¹⁰ The new corporations needed storage space, and so demand for Swire's warehouse space increased. Rather than allow the company to become profitable, the Shanghai authorities took steps to prevent them from acquiring new sources of income and to force a decline in their existing income. On several occasions Swire carried out expensive repairs to warehouses in preparation for a lease to be signed only to have the transaction cancelled.¹¹¹

Swire were frequently denied permission to sell off unneeded assets, and when permission was given to sell there was no guarantee that it would not later be revoked. In one case they were even ordered to pay compensation to the buyer for 'loss of profit.' Incidents like this convinced them that;

... there could have been no conceivable reason for such obduracy, except that of preventing the firm easing its financial position, unless it was that the Chinese hoped to get it all for nothing when the plum was ripe ... and it would have been a brave official who would have sanctioned the sale of anything for which he might be taken to task later.¹¹²

Swire's management found their position frustrating. Very seldom could they 'penetrate the outer screen of young student apprentices' at various bureaux and meet with someone in a position of authority.¹¹³ The CCP maintained this screen in order to continue to control the nature and extent of contacts with foreigners.¹¹⁴

¹⁰⁹ TNA FO 371/83345, British Commercial Policy in China; Shanghai to Foreign Office, No. 317, 1/4/50.

¹¹⁰ For more on these state trading organisations see Kenneth Wang, 'Foreign Trade Policy and Apparatus of the People's Republic of China,' *Law and Contemporary Problems*, Vol. 38, No. 2, Trade with China (Summer - Autumn, 1973), pp. 196-8.

¹¹¹ JSSCA CHINA CL6, Withdrawal from China, pp. 30-5.

¹¹² *Ibid.*, pp. 21-2.

¹¹³ *Ibid.*, p. 39.

¹¹⁴ Zhang Wenpu, 'Zai Tianjin congshi waishi gongzuo de huiyi,' *Chengshi jieguan qinli ji*, p. 149.

All Shanghai government organisations were ordered to consult with the FAD before interacting with any foreigner.¹¹⁵ In May 1951 after several breaches of foreign affairs protocol the Shanghai Government laid out four rules for communicating with foreigners. The first rule stated that no one was to approach foreign organisations without prior approval. The second was that when approached by foreigners, cadres and officials were to report immediately to the foreign affairs organs. 'Dealing with matters that relate to foreigners, the Municipal Government wrote, 'requires caution' (*youguan shewai shijian zhi chuli, xuyao jinshen*, 有关涉外事件之处理, 需要谨慎).¹¹⁶ Presenting a united front was essential in order to keep policy-making secret and to present foreigners with *faits accomplis*.¹¹⁷

British companies saw their problems within a legal and financial framework, and with a focus on their own specific affairs; the Communists, on the other hand, were inclined to look at the wider economic situation, and to do so from a highly politicised perspective. Differences between Chinese and British legal norms concerning the concept of legal liability further complicated this situation. In British company law, parent companies were considered completely separate to subsidiary limited liability companies. In contrast, a British diplomat noted, the Chinese were inclined to see such companies as 'separate baskets among which the same wealthy proprietor has divided his eggs hoping to preserve some intact in case of disaster.' Once the subsidiary companies were drained of resources, parent companies or other subsidiaries could be held responsible.¹¹⁸

The fact that the same person could be a director of the parent company and of the subsidiary, and yet still view them as separate entities further complicated matters in the minds of the

¹¹⁵ SMA B1-2-257, *Shanghai Shi Junshi Guanzhi Weiyuanhui guanyu fabu banfa, zhangze, wengao, tiaojian de guiding* [Shanghai Military Control Committee regulations on dissemination of procedures, rules and articles], January 1950.

¹¹⁶ SMA B1-2-427, *Shanghai Shi Renmin Zhengfu chuli dui waishi shixiang gezhong guiding* [Shanghai People's Government various regulations on dealing with foreign affairs], 1951; this letter is an undated draft; MFA 118-00046-12, *gongzuo baogao*, 21/9/49; SMA B172-4-115-8, *Shanghai Shi Renmin Zhengfu guanyu fengling zhuanzhi dui youguan waishang huo waiqiao zhi jiaoshe wangfan ji chuli shi xiangwu xu zunshou waishi jilü yu waishi lianxi banli de tongzhi* [Notification from Shanghai People's Government ordering that when communicating with or dealing with foreign companies or individuals foreign affairs discipline must be followed, and that affairs should be dealt with in cooperation with the Foreign Affairs Department], 23/6/51.

¹¹⁷ SMA B1-2-427-1, *Shanghai Shi Renmin Zhengfu Waishi Chu guanyu jianyi jinhou dui waiqiao tongzhi han shang buxu zhengming chaosong ge youguan bumen de han* [Shanghai People's Government Foreign Affairs Department letter suggesting that from now on notifications sent to foreigners should not include the names of related departments being copied in], 19/4/51.

¹¹⁸ TNA FO 371/83347, British Commercial Policy in China; Beijing to Foreign Office, No. 473, 5/5/50.

Communists.¹¹⁹ At EWO Brewery's annual general meeting in 1950, John Keswick (who was Chairman of EWO Brewery's board) stated that the brewery's general managers (Jardine Matheson, of which he was a director) would not under any circumstances provide finance or take responsibility for its liabilities. He pointed out that the brewery was in fact owned by some 622 Chinese nationals holding 860,275 shares and 153 foreign nationals owning 539,735 shares.¹²⁰

Keswick was also one of the directors of the Shanghai & Hongkew Wharf Company. When a dispute over a proposed wage reduction occurred in August 1950, the workers of that company refused to negotiate with anyone but Keswick in his capacity as a director of Jardine Matheson. The Wharf Company's reserves were exhausted, but Jardine Matheson's were not. Keswick pointed out that the Wharf Company was a limited liability company, the superintendent of which was fully empowered to deal with their complaints. The workers countered as follows;

Some of our members in the three wharves have been working under the banners of Jardines for 50 years. In their mind they know only the Taipan [boss] of Jardine ... the Wharf employees have only Jardine, Matheson & Co. in their mind. We know that there is an independent company called the Shanghai & Hongkew Wharf Co., but we have no direct connection with that company.¹²¹

British business was therefore subjected to a variety of different pressures. Many of these pressures were the product of the economic crisis that affected the whole city; others came about through policy decisions calculated to apply pressure to them.

¹¹⁹ TNA FO 371/83347, British Commercial Policy in China; Beijing to Foreign Office, No. 473, 5/5/50.

¹²⁰ TNA FO 371/83347, British Commercial Policy in China; Beijing to Foreign Office, No. 612, 19/5/50; Extracts from a speech made at annual general meeting of EWO Breweries Ltd. by Chairman John Keswick.

¹²¹ SMA B128-2-366, *Shanghai Shi Ying shang Gonghexiang Matou Yihe Gongsi guanyu zhigong gongzi fuli wenti laozi zhengyi shenqing shu ji Shanghai Shi Laodong Ju tiaojie baogao* [Shanghai British Shanghai & Hngkew Wharf Company application regarding workers's wage and welfare problem and Shanghai Labour Bureau Mediation Report], 1950; Shanghai Wharf Union to Jardine, Matheson & Co. Ltd., 22/7/50; John Keswick, Jardine, Matheson & Co. Ltd. to Shanghai Wharf Union, 2/8/50; Labour Unions of Shanghai Hongkew Wharf Co. Ltd. to John Keswick, 10/8/50; John Keswick, Jardine, Matheson & Co. Ltd. to Shanghai Wharf Union, 22/8/50; Jardine, Matheson & Co. Ltd., to the Shanghai Foreign Affairs Bureau, 28/8/50.

Labour disputes

The CCP and Shanghai labour, 1949-54

During the Civil War, the CCP had been weak in urban areas. In 1949, over 80 per cent of all Party members were classed as peasants, and in the East China area, only 414 of 34,835 Party cells were based in factories.¹²² Addressing this problem in March 1949, Liu Shaoqi admitted that the Party was alienated from the urban working class. On entering the cities, he said, they would have to 'maintain the workers' living standard', 'conduct intensive education among the workers on a broad scale' and 'get them organised.' 'In this way' he continued, 'we can get a grip on the industries and the cities.'¹²³

To guarantee stability, the CCP's initial policy was to keep the old system in each business in place with the workers receiving the same wages.¹²⁴ In some cities, it was reported, workers complained that nothing had changed, saying: 'under the rule of the Guomindang we were oxen and horses, and now we are horses and oxen.'¹²⁵ A balance had to be struck, noted the East China Bureau, between supporting capitalists to revive production and not leaving the workers 'like children without a mother' (*laofang xiang meiyou niang de haizi yiyang*, 劳方像没有娘的孩子一样).¹²⁶

The early 1950s have traditionally been presented as a golden age of cooperation between labour and the consolidating state. Elizabeth Perry has argued that, in fact, the CCP never successfully brought labour under control. As late as 1957, workers in state and state-private joint enterprises in Shanghai were protesting, striking and even attacking Party cadres.¹²⁷ State efforts to co-opt workers were much more effective with skilled workers in state-run enterprises who represented model proletarians. Low-skilled workers in private consumer industries (such as dock workers, textile workers and manufacturing workers) were considered less reliable. Robert Cliver has demonstrated that in the long term, a divisive

¹²² CWIHP, Report, Kovalev to Stalin, 24/12/49.

¹²³ Liu Shaoqi, 'Some questions concerning urban work.'

¹²⁴ *Huadong Ju guanyu jieguan Jiangnan chengshi de zhishi*, 1/4/49, *Shanghai Jiefang*, pp. 224-30.

¹²⁵ Deng Xiaoping, 'Outline for the Report at the meeting on urban work convened by the Southwest Bureau of the CCP Central Committee,' 21.12.50, *Selected Works of Deng Xiaoping*, Vol. 1.

¹²⁶ SMA A4-1-1, *Chengshi Jieguan Gongzuo de Jingyan Baogao*, 26/6/49; on the CCP's establishment of control over workers in Tianjin see Lieberthal, *Revolution and Tradition in Tientsin*, pp. 55-77.

¹²⁷ Elizabeth J. Perry, 'Shanghai's Strike Wave of 1957,' *The China Quarterly*, No. 137 (Mar., 1994), pp. 1-27.

tension developed between the CCP's ideological aspirations regarding the empowerment of labour and the pragmatic necessities of state-building and economic development.¹²⁸

The Shanghai Labour Bureau (*Shanghai Laodong Ju*, 上海劳动局) considered that there were three distinct periods of labour-capital relations between May 1949 and late 1950. In the first period, from the takeover of Shanghai to the bombing of the city on the 6th February 1950, labour-capital relations were very antagonistic. This was, it was reported, because 'the worker classes had suffered long-term oppression' from the capitalists (*gongren jieji shou le changqi yapo*, 工人阶级接受了长期压迫). They had no means of 'suppressing their hatred towards the capitalists' (*dui zifang de fenhen wu fa yizhi*, 对资方的愤恨无法抑制). Steps were taken towards establishing stronger union organisations and raising the workers' political consciousness but it was 'hard to avoid over-the-top actions from occurring' (*nanmian you guohuo xingdong de fasheng*, 难免有过火行动的发生).

The capitalists did not help themselves, the Bureau complained. They held 'old viewpoints' (*jiu guandian*, 旧观点) and employed 'useless old methods' (*meiyong de jiu fangfa*, 没用的旧方法) to try to solve problems: 'all of their administrative efforts descended into chaos' (*yiqie xingzheng, yi xianyu wenluan zhuangtai*, 一切行政, 亦陷于紊乱状态). The CCP were a politically-minded organisation that relied on a mixture of ideology, mass mobilisation and pragmatism to solve problems. These methods clashed considerably with those of the legalistic capitalists, both Chinese and foreign. Circumstances improved slightly after the announcement of the 'Provisional Procedures for the Resolution of Labour-Capital Disputes in Private Enterprises' in August 1949.¹²⁹

Under the 'Provisional Procedures', capital and labour had to attempt to resolve any problems themselves before taking them to the Labour Bureau for mediation. 'Labour-capital

¹²⁸ Robert Cliver, 'Minzhu Guanli: the democratization of factory management in the Chinese revolution,' *Labor History*, Vol. 50, No. 4 (November 2009), pp. 410, 413, 424.

¹²⁹ SMA A4-1-11, *laozi jiufen qingkuang de baogao*; *Laodong Ju tiaozheng ke 1949 nian teshu zhengyi tiaojian shuoming* [Labour Bureau Adjustment Office 1949 special dispute resolution conditions explanation], 3/2/50; *Cong laozi duili dao laofang zhudong tuanjie zifang mianxiang shengchan* [From labour and capital in opposition to labour actively uniting with the capitalists to face towards production]; The 'Provisional Procedures ...' (*guanyu siying qiye laozi zhengyi diaochu chengxu zanxing banfa*, 关于私营企业劳资争议调处程序暂行办法). See also *Shanghai jingji shang de zhongyao wenti gaishu* [Outline of important economic problems in Shanghai], September 1949 in *Shanghai Jiefang*, pp. 492-4.

consultative conferences' (*laozi xieshang huiyi*, 劳资协商会议) were established in each enterprise.¹³⁰ After a minimum number of negotiations through consultative conferences, unresolved cases could be taken to the Labour Bureau for mediation (*tiaojie*, 调解), and if that failed, arbitration (*zhongcai*, 仲裁). The arbitration committee's decision could be appealed in the Shanghai People's Court and again in the Supreme Court.¹³¹

The head of the Labour Bureau, Ma Chunji (马纯吉), noted that, of the 4,436 cases brought to the Bureau between June and November 1949, some 323 had been particularly serious. The main issues to be resolved were requests by workers for improved conditions (52 per cent) or to be allowed to 'return to work' (*fugong*, 复工) after having been dismissed (28 per cent). Workers in both foreign and Chinese enterprises employed various techniques to pressure the management. The most prevalent form of worker action was to '*baowei*' (包围), meaning to surround or 'lay siege to' the management, detaining them in their offices. This technique was used in 34 per cent of all the disputes brought to the Bureau. Other methods included strikes and wrecking. Most *baowei* actions carried the implicit threat of violence, but actual violence was also not uncommon.¹³² From January 1950 to April 1950, the Bureau had to deal with a further 8,283 disputes, of which 541 were classed as 'serious'.¹³³

Labour-capital relations remained strained in the second period of labour capital relations following the February bombing. This period was marked by increasingly frequent requests from capitalists to reduce wages or close down their businesses. According to the Bureau, with the threat of closure, 'workers began to realise the severity of the difficulties, the factory had to exist and only then would they have a guaranteed livelihood' (*gongren kaishi renshi kunnan de yanzhongxing, bixu gongchang cunzai, ziji shenghuo caiyou baozhang*, 工人开始认识困难的严重性, 必须工厂存在, 自己生活才有保障).¹³⁴ Workers in foreign

¹³⁰ SMA A4-1-11, *laozi jiufen qingkuang de baogao; buchong baogao*, 18/5/50.

¹³¹ SMA A4-1-11, *laozi jiufen qingkuang de baogao*.

¹³² SMA A4-1-11, *laozi jiufen qingkuang de baogao; teshu zhengyi tiaojian*.

¹³³ SMA A4-1-11, *laozi jiufen qingkuang de baogao; buchong baogao*, 18/5/50; on 'Return to work' (*fugong*) disputes see *Shanghai Junguanhui guanyu fuye fugong jiufen chuli zanxing banfa* [Shanghai Military Control Committee temporary measures for resolving return to business, return to work disputes], 19/8/49, in *Shanghai Jiefang*, pp. 388-91; see also Shanghai Laodong Zhi Bianzuan Weiyuanhui [Record of Labour in Shanghai Compilation Committee], *Shanghai Laodong Zhi* [Record of Labour in Shanghai] (Shanghai, Shanghai Shehui Kexueyuan Chubanshe [Shanghai Academy of Social Sciences Publishing House], 1998), pp. 479-84.

¹³⁴ SMA A4-1-11, *laozi jiufen qingkuang de baogao; teshu zhengyi tiaojian*, 3/2/50; *laofang zhudong tuanjie zifang*.

enterprises were generally better paid than those in Chinese enterprises and they feared losing these better paid jobs.¹³⁵

The third period came after the Third Meeting of the Shanghai Peoples Representative Conference in November 1950. Measures were announced at the conference for improving labour-capital relations. Official rhetoric went from supporting workers' struggles against capitalists to 'actively uniting with the capitalists to overcome difficulties in production' (*zhudong tuanjie zifang kefu kunnan weichi shengchan*, 主动团结资方克服困难维持生产). As the CCP's hold over the workers strengthened, they were increasingly able to control their behaviour. Workers were encouraged to accept worse conditions while 'the capitalists' confidence in production was restored' (*zifang huifu shengchan xinxin*, 资方恢复生产信心).¹³⁶ Despite all the rhetoric, however, 'unity' between labour and capital was not forthcoming.

Labour disputes in foreign companies

In principle, foreign firms were subject to exactly the same labour regulations as Chinese companies. The wording of the regulations was considered by Butterfield & Swire to be 'neither inadequate nor unfair.'¹³⁷ The two principles ostensibly guiding the Labour Bureau were 'mutual advantage to labour and capital' (*laozi liang li*, 劳资两利) and 'treating everyone the same' (*yishitongren*, 一视同仁). The government had decided that foreign firms were to be treated the same as Chinese firms. In practice however, foreigners were not only 'capitalist exploiters,' they were also 'imperialists', and so a sterner approach was adopted towards them.¹³⁸ While the Labour Bureau could, theoretically, find in favour of the capitalists in labour disputes, there was little incentive for them to do so. Allowing capitalists

¹³⁵ *Shanghai Laodong Zhi*, p. 510; Interview by author with Yao Kang, former Director of Butterfield and Swire, 14/7/09; 'they knew that if they made noises and fought then they were shooting themselves in the foot. It was worse for the Chinese.'

¹³⁶ SMA A4-1-11, *laozi jiufen qingkuang de baogao; teshu zhengyi tiaojian*, 3/2/50; *laofang zhudong tuanjie zifang*.

¹³⁷ TNA FO 371/83345, British Commercial Policy in China; British Chamber of Commerce Memorandum; the present position facing British Firms in Shanghai and the problem of retrenchment; see also JSSCA COMP129 J.A. Blackwood to Masson, Shanghai, February 1950.

¹³⁸ SMA A4-1-11, *laozi jiufen qingkuang de baogao; Guanyu muqian waishang laozi zhengyi qingkuang de baogao* [Report regarding present labour-capital disputes in foreign enterprises].

to reduce surplus staff or cut wages would only arouse labour's hostility.¹³⁹ The wider political and economic situation demanded that the CCP appease labour. Foreigners were, in any case, believed to have deep pockets.¹⁴⁰

The CCP also wished to utilise labour as a tool specifically directed against foreign enterprises: first to bring them to heel, and later to take them over. In July 1949 Stalin had advised Liu Shaoqi as follows:

Require each foreign enterprise to implement the labour laws strictly as a method for struggling with them. At present, you don't want to expropriate the Chinese affairs of each imperialism [sic.], don't rush into taking any other measures, wait a bit and see what happens.¹⁴¹

This did not mean that the CCP always used labour as a tool to pressure foreign firms: the reality was more complicated. One example of this was the case brought by relatives of a worker named Wang Ancai (汪安才) against the Blue Funnel Line shipping company (Alfred Holt and Company), who were represented in Shanghai by Butterfield & Swire. Wang had been employed by a labour contractor who had absconded before the arrival of the Communists. In July 1949, Swire had been obliged to add 111 workers engaged by the absent contractor to their payroll.¹⁴² Two months later Wang had died of an illness and his relatives had come to Shanghai to request 'comfort money' (*fixu jin*, 抚恤金).

The union considered Wang's employment by the contractor tantamount to employment by the Blue Funnel Line; they demanded the family receive the equivalent of one month's wages for each of Wang's eight years of employment. Swire claimed that Wang had only been their direct employee for two months, but offered two months wages as a conciliatory gesture. The two parties could not agree, so the case was referred to the Labour Bureau. The Bureau recommended that Swire should pay three months wages and two months extra to cover funeral expenses. The relatives accepted this judgement, but Swire refused to pay. As this

¹³⁹ JSSCA CHINA CL6, Withdrawal from China, p. 10.

¹⁴⁰ TNA FO 371/83345, British Commercial Policy in China; British Chamber of Commerce Memorandum; the present position facing British Firms in Shanghai and the problem of retrenchment; SMA A4-1-11, *laozi jiufen qingkuang de baogao*; *waishang laozi zhengyi qingkuang*; MFA 118-00046-26, *Shanghai Shi Renmin Zhengfu, Huangpu* [two characters illegible] *Wei yuanhui Waiqiao Shiwu Chu shi yuefen gongzuo zonghe baogao* [Shanghai People's Government, Huangpu [two characters illegible] Committee, Foreign Affairs Department comprehensive report for October], 4/11/49.

¹⁴¹ CWIHP, Cable, Liu Shaoqi to Mao Zedong, 18/7/49.

¹⁴² JSSCA CHINA CL6, Withdrawal from China, p. 9.

was seen as an attempt to evade responsibility, the Bureau increased the basic payment to five months plus two months for funeral costs and three months' more for the cost of delays, making a total of ten months. Swire requested arbitration.¹⁴³ The Bureau's arbitration committee awarded a total of twelve month's compensation.¹⁴⁴ It was more important for the local authorities to be seen to be holding Swire to account than to pay close attention to technicalities.

If the CCP wished to simply use labour as a tool to pressure foreign capitalists then the Bureau's decision should have met with unanimous approval. Instead they were quite severely reprimanded. The Ministry of Foreign Affairs had urged the Bureau to be cautious saying, 'one side in this case is foreign, when executing arbitration you should not only implement labour policy, it is also necessary to show appropriate consideration for the international effects, it should be fair and reasonable.'¹⁴⁵ Huang Hua of the Shanghai FAD suggested that the ten months' compensation money proposed at the mediation stage was too blatantly unfair: 'the government's prestige has already been damaged to a degree' (*zheyang zhengfu weixin sui yi shou yiding sunshi*, 这样政府威信虽已受一定损失).¹⁴⁶ It was important, Zhou Lin, the Secretary General of the Shanghai People's Government, told the Bureau, not to set precedents that might come back to haunt them in this moment of economic crisis. 'At the same time,' he continued, they should also avoid making foreign

¹⁴³ SMA B128-2-390, *Shanghai Shi Junguanhui guanyu Taigu gongsi daili Lanyancong matou gongren siwang fuxu jiufen de han ji Shanghai Shi Waishi Chu, Shi Laodong Ju de yijian, baogao* [Shanghai Military Control Committee letters on comfort money dispute over death of Butterfield & Swire managed Blue Funnel Line wharf worker and Shanghai FAD and Shanghai Labour Bureau opinions and reports], 1950; *Taigu gongsi daili Lanyancong matou gongren Wang Ancai yinbing siwang fuxu an baogao* [Report on Butterfield & Swire managed Blue Funnel Line wharf worker Wang Ancai death due to illness compensation payment].

¹⁴⁴ SMA B128-2-390, *gongren siwang fuxu jiufen; Shanghai Shi Renmin Zhengfu Laodong Ju Zhongcai Weiyuanhui Zhongcai shu* [Shanghai People's Government Labour Bureau Arbitration Committee Arbitration Decision].

¹⁴⁵ MFA 118-00347-02, *Waijiaobu yu Laodong Ju guanyu Shanghai Lanyancong matou gongren Wang Ancai bingsi fuxu an zhongcai wenti de wanglai han* [Correspondence between Ministry of Foreign Affairs and Labour Bureau on problems of arbitration over compensation for death due to illness of Shanghai Blue Funnel Line wharf worker Wang Ancai], 25/5/50- 31/5/50. 'One side in this case...' (*ben an zhi yi fangmian wei waiqiao, wo zai zhixing zhongcai shi budan ying zhixing laodong zhengce, qie xu shidang zhaogu guoji yingxiang, yao gongping heli*, 本案之一方为外侨, 在我执行仲裁时不但应执行劳动政策, 且须适当照顾国际影响, 要公平合理).

¹⁴⁶ SMA B128-2-390, *gongren siwang fuxu jiufen*; Huang Hua, Shanghai Military Control Committee Foreign Affairs Department to Zhou Lin, 12/5/50.

businesses 'believe that we are finding excuses to oppress them' (*miande waishang yiwei women shi jiekou yapo*, 免得外商以为我们是借口压迫).¹⁴⁷

Different parts of the Shanghai government had different priorities; the blatant 'squeezing' of foreign companies was not necessarily the CCP's uniform policy. They needed to maintain stability and at least an appearance of legality: 'The attitude of the workers is basically legitimate,' wrote the Shanghai FAD in an unrelated report to Beijing, 'but there have been demands that have been too high and there has been behaviour which has been overtly deviant [from policy]' (*laofang taidu jiben shang shi heli de, dan ye you yaoqiu guo gao, xingdong guofen de pianxiang*, 劳方态度基本上是合理的, 但也有要求过高, 行动过分的偏向).¹⁴⁸

In a different case in June 1950, the Shanghai & Hongkew Wharf Company reached an agreement with its staff to reduce wages by a third as business was stagnant. The original wage rate would be restored once business had improved.¹⁴⁹ In October, the company's union appealed to the Labour Bureau to help them to get the original rate restored and to get a guarantee that they would receive their customary year-end bonus.¹⁵⁰ The management rejected both demands. Business had only improved slightly and they were still relying on their reserves to pay wages.¹⁵¹ The arbitration committee forced the workers to abandon their request for a return to the original wage rate, but promised them the payment of their bonus. The bonus had never increased in years of profit, so why should it decrease now?¹⁵²

¹⁴⁷ SMA B128-2-390, *gongren siwang fuxu jiufen*; Zhou Lin, Shanghai Military Control Committee, to Ma Chunji, 17/5/50; SMA B1-2-382, *Shanghai Shi Renmin Zhengfu guanyu matou gongren yin bing siwang fuxu han, baogao* [Shanghai People's Government letters and reports on compensation for death of dock worker through illness], May 1950.

¹⁴⁸ MFA 118-00046-11, *gongzuo baogao (fu jian shier)*.

¹⁴⁹ SMA B128-2-366, *Shanghai Shi Yingshang Gonghexiang Yihe Gongsi guanyu zhigong gongzi fuli wenti laozi zhengyi shenqing shu ji Shanghai shi laodong ju tiaojie baogao* [Shanghai British Merchants Shanghai & Hongkew Wharf Company, Jardine Matheson petition regarding labour capital dispute over wages and welfare, and Shanghai Labour Bureau mediation report], 1950; G.D. Grant, Superintendent, Shanghai & Hongkew Wharf Co., 19/5/50 to the Labour Bureau.

¹⁵⁰ SMA B128-2-366, *Gonghexiang Yihe Gongsi guanyu zhigong gongzi fuli wenti laozi zhengyi shenqing shu*; *Zhongguo Haiyuan Gonghui* [China Seamen's Union] to Labour Bureau, 24/10/50.

¹⁵¹ SMA B128-2-366, *Gonghexiang Yihe Gongsi guanyu zhigong gongzi fuli wenti laozi zhengyi shenqing shu*; China Seamen's Union Shanghai & Hongkew Wharf Company branch to China Seamen's Union East China Committee, 4/11/50; Shanghai & Hongkew Wharf Co., to the Bureau of Foreign Affairs, 21/11/50.

¹⁵² SMA B128-2-573-4, *Shanghai Shi Laodong Ju Zhengyi Zhongcai Wei yuanhui guanyu Yingshang Gonghexiang matou gufen youxian gongsi Shanghai fen gongsi laozi shuangfang jiufen de zhongcai jueding shu* [Shanghai Labour Bureau Dispute Arbitration Committee decision regarding arbitration in British Shanghai &

The company appealed the decision, but the Supreme Court upheld it. The Court was keen to stress that, as the bonus would be paid based on the lower salary rate, they were 'showing appropriate consideration' (*yuyi xiangdang de zhaogu*, 予以相当的照顾) to the management.¹⁵³ The CCP and the foreign capitalists had fundamentally different conceptions of what was 'fair': the foreigners based their judgement on law, the CCP on politics and pragmatism. While foreign businesses felt that they were unfairly discriminated against, the Chinese were chastised by Moscow in December 1949 for treating foreign and Chinese capitalists the same.¹⁵⁴

In a 1950 report on disputes in foreign firms, the Labour Bureau linked the situation to the wider political climate, saying, 'because at present the urgency of the international system is being reflected in labour-capital relations in most foreign firms, the struggle is relatively intense.'¹⁵⁵ In the eyes of the Bureau, the foreigners were doing everything in their power to evade their responsibilities.¹⁵⁶ Chen Yi commented that they refused even 'reasonable requests' (*heli yaoqiu*, 合理要求) from the workers and sought to evade government regulations.¹⁵⁷ Foreign capitalists were further accused by the Bureau of adopting an 'uncooperative attitude' (*bu hezuo taidu*, 不合作态度): they 'scorned' (*qingshi*, 轻视) the unions and were unwilling to come to consultative agreements with the workers.¹⁵⁸ CCP cadres at the British Tram Company complained that the foreign capitalists 'sought loopholes

Hongkew Wharf Company labour-capital dispute], 3/2/51; SMA B128-2-366, *Gonghexiang Yihe Gongsi guanyu zhihong gongzi fuli wenti laozi zhengyi shenqing shu*; Haiyuan Gonghui Zhang Yaohui tongzhi yu zifang tanhua jilü [Minutes of discussion between Comrade Zhang Yaohui of the Seamen's Union and the capitalists], 7/12/50.

¹⁵³ SMA B128-2-366, *Gonghexiang Yihe Gongsi guanyu zhihong gongzi fuli wenti laozi zhengyi shenqing shu*; Zuigao Renmin Fayuan Huadong fen yuan minshi panjue [Supreme People's Court, East China branch, civil dispute judgement], 17/5/51.

¹⁵⁴ CWIHP, Report, Kovalev to Stalin, 24/12/49.

¹⁵⁵ SMA A4-1-11, *laozi jiufen qingkuang de baogao*; *waishang laozi zhengyi qingkuang*; 'because at present the urgency...' (*muqian youyu guoji jushi de jinji, fanying zai waishang de yi ban laozi guanxi shang douzheng shi bijiao jianrui de*, 目前由于国际局势的紧急, 反映在外商的一般劳资关系上斗争是比较尖锐的).

¹⁵⁶ Ibid.

¹⁵⁷ Chen Yi, *Wei dapo diren fengsuo kefu kunnan zhengqujingji haozhuan he huifu er fendou- zai Shanghai Shi Gongren Daibiao Dahui shang de zhengzhi baogao* [Struggle to smash the enemy's blockade, overcome difficulties to improve and revive the economy- political report given at the Shanghai Workers' Representatives Conference], 4/2/50, in *Shanghai gongyun zhi Bianzuan Weiyuanhui* [Shanghai Workers' Movements Compilation Committee], *Shanghai gongyun zhi* [Record of Workers' Movements in Shanghai] (Shanghai: Shanghai Shehui Kexueyuan Chubanshe [Shanghai Academy of Social Sciences Publishing House], 1997).

¹⁵⁸ SMA A4-1-11, *laozi jiufen qingkuang de baogao*; *waishang laozi zhengyi qingkuang*.

and incited the workers' against the union (*zuan kongzi, tiaobo gongren*, 钻空子, 挑拨工人).¹⁵⁹

Baowei; worker actions in foreign firms

Foreign managers found negotiations with unions and workers very draining.¹⁶⁰ HSBC were relatively lucky in that the head of their union was the former office boy. He was moderate in approach and 'dictated the terms for all the others.' The problems HSBC experienced came from the inclusion of night watchmen in the union's ranks. These men were much more militant than the bank workers, many of whom had enjoyed good relations with the foreign management. The watchmen were, one employee remembered, 'very bolshy.'¹⁶¹ 'You'd talk for hours and hours,' HSBC's negotiator Francis Burch recalled, 'and you knew you would never resolve anything.'¹⁶²

Physical assaults on foreigners were rare, but they did occur from time to time, usually in connection with labour disputes. Managers, particularly those in industrial concerns with large redundant work forces, were more prone to threats, harassment and intimidation. One of the most popular methods of harassment was to *baowei* managers, detaining them in their offices. The case of Victor Allington, manager of the printing company Millington Limited is representative of the wider situation. Allington was in charge of 160 restive workers and the company's reserves had long run dry. They were heavily in debt and behind on tax payments. In April 1950, he was assaulted twice with fists and sticks. The workers were angry because Allington had proposed that the factory be closed or handed over to their control. They wanted improved conditions under the *status quo*. Allington also suffered 'repeated humiliations' by union officials in front of the men.¹⁶³

¹⁵⁹ SMA A59-1-63-34, *Shanghai Shi Zheng Gonghui guanyu Yingdian qingkuang de baogao* [Reports by Shanghai Government and union on situation in the British Tram Company], 1950.

¹⁶⁰ JSSCA CHINA CL6, Withdrawal from China, p. 10.

¹⁶¹ HSBC 1641/039/C, Oral History, R.P. Moodie.

¹⁶² HSBC 1641/005/C, Oral History, Burch, Francis Richard; King, *Hongkong and Shanghai Banking Corporation*, Vol.4, p. 388.

¹⁶³ TNA FO 371/83346, British Commercial Policy in China; Urquhart Shanghai to Foreign Office, No. 396, 20/4/50; Shanghai to Foreign Office, No. 432, 27/4/50; TNA FO 369/4455, China: assaults and attacks on British subjects, 1950.

In the same month, trouble also broke out at the Shanghai Ice and Cold Storage Company. On the morning of 18th April, the British Vice Consul G. Tarr was telephoned by the manager Langford, who reported that he was being detained in his office. On arriving at the office Tarr found Langford sitting at his desk. Around him, 23 ex-employees;

... were shouting, opening and shutting windows, sitting on the desk, fingering the papers ... interfering with telephone conversations by disconnecting the wire or pulling the instrument away, singing songs, etc.

The angry workers were contract labourers who had worked seasonally for Shanghai Ice, packing eggs for export. The blockade had left the company with no avenue for exports, and so 784 workers had been dismissed. In October 1949, they had been paid dispersal money on the condition that they make no further claims. Now they wanted Langford to pay for them to be transferred to the company's Tianjin factory: he refused as there were no vacancies. Hundreds of angry workers picketed the Shanghai factory for several weeks. Langford complained that the company's union, the Shanghai Federation of Trade Unions, and the Labour Bureau were all under the influence of the workers, and that they preferred to threaten than to help.¹⁶⁴

Perhaps the most alarming feature of these events, commented Consul General Urquhart, was that they occurred only weeks after the state-run China Egg Products Corporation had signed an agreement with Langford's company that would earn the Chinese £3,800,000. This company was one of the few which had managed to obtain such a contract.¹⁶⁵ If this was how a company whose business Beijing had courted was to be treated, how would those deemed unwanted fare? Langford passed Tarr a letter to the mayor requesting his assistance. In the letter, he pointed out that there was no way he could fulfil the contract while trying to solve these labour problems. The workers would not let Tarr leave with the letter.¹⁶⁶

¹⁶⁴ TNA FO 371/83347, British Commercial Policy in China; Urquhart, Shanghai to Hutchinson, Beijing, No. 78, 19/4/50; Copy of Minute by Mr. G. Tarr to Consul General, 19/4/50; Langford to Chen Yi, 13/4/50; Hooper makes brief reference to the incidents at Millington and Shanghai Ice; Hooper, *China Stands Up*, pp. 91-2.

¹⁶⁵ TNA FO 371/83347, British Commercial Policy in China; Urquhart, Shanghai to Hutchinson, Beijing, No. 78, 19/4/50; Langford to Mayor Chen Yi, 13/4/50; Shanghai to Foreign Office, No. 460, 4/5/50.

¹⁶⁶ TNA FO 371/83347, British Commercial Policy in China; Urquhart, Shanghai to Hutchinson, Beijing, No. 78, 19/4/50; Copy of Minute by Mr. G. Tarr to Consul General, 19/4/50.

Langford's Chinese assistant manager, Mr Chen, was also being detained. Chen had been brought to the office in the early hours. The workers were demanding the he confess to translating 'against their interests' at a union mediation meeting. Langford, Tarr and Chen 'were subjected to a barrage of insults shouted at close range from all directions.' After several hours, Langford requested to be allowed to visit the lavatory. According to Tarr, one worker stood up in middle of room and shouted "Is Mr Langford to be allowed to go to the lavatory?" to which all replied: "No." To Langford's great embarrassment the workers began making insulting remarks, and brought him a bucket. 'Thereupon' Tarr recalled, 'the Chinese workers exchanged a whole series of remarks aimed at us as to just how foreigners relieved themselves and how amusing it would be to watch them do so.' This was very humiliating. Only after Tarr threatened to complain to higher authorities were they permitted to use the actual lavatory.

In the afternoon, mediators from the Labour Bureau, Public Security Bureau and the Shanghai Federation of Trade Unions arrived. The shouting died down at once. After many more hours of inconclusive negotiations, Tarr and Langford were finally allowed to leave.¹⁶⁷ A few days later, Langford was again detained and assaulted by the workers.¹⁶⁸ The frustrated workers, Consul General Urquhart wrote, 'damned the local police, the Shanghai Federation of Trade Unions and the Labour Bureau representatives to their faces and said they would make Langford pay.' Their attitude was 'a challenge in effect to the authorities.' Three of the ringleaders were later arrested.¹⁶⁹

Opinion amongst foreigners was divided as to whether the CCP were unwilling or simply unable to control Shanghai's workers. The higher authorities' rhetoric was very conciliatory. They wanted to encourage business, but placating Shanghai's famously militant labour force was no easy matter. Urquhart believed that the leaders had 'subordinated everything to the prosecution of the war' and so cared little about what was going on in Shanghai's businesses, Chinese or foreign. They were 'thoroughly hostile and harsh in pursuit of two immediate objectives, namely to raise taxes and keep labour quiet.' The attitude of the Shanghai FAD,

¹⁶⁷ TNA FO 371/83347, British Commercial Policy in China; Urquhart, Shanghai to Hutchinson, Beijing, No. 78, 19/4/50; Copy of Minute by Mr. G. Tarr to Consul General, 19/4/50.

¹⁶⁸ TNA FO 371/83346, British Commercial Policy in China; Shanghai to Foreign Office, No. 242, 26/4/50; Shanghai to Foreign Office, No. 434, 27/4/50.

¹⁶⁹ TNA FO 371/83347, British Commercial Policy in China; Shanghai to Foreign Office, No. 460, 4/5/50.

through which all communication had to pass, he concluded, was 'obstinately hostile.'¹⁷⁰ This was not only the case in issues involving foreigners. In most areas of policy implementation, local cadres took a more radical approach than the central government.¹⁷¹ The British decided therefore to bypass the 'bungling' local officials and appeal directly to Zhang Hanfu in Beijing.¹⁷²

While the British complaint was not formally acknowledged, it was perhaps not a coincidence that soon afterwards a representative from the Ministry of Commerce arrived in Shanghai. Beijing was obviously concerned that the valuable contract with Langford would be undermined. The representative assured Langford that he would have no further trouble from his workers. Following another investigation by the central authorities, Allington was also apologised to and several Millington workers were punished.¹⁷³ Foreign observers largely assumed that the Party and the unions worked in unison, and that the Party's hold over the workers was absolute after a few months.¹⁷⁴ In fact, as this incident showed, the situation on the ground was rather more complex.

The uneasy relationship between the Communist cadres and the workers was further demonstrated when, in June 1950, the CCP members in Shanghai's foreign-owned public utilities were instructed to make their Party membership public. Compared with Party branches in private industries, the Party was relatively well established in the public utility companies. Yet even here cadres were described as lacking experience and being 'disconnected' (*tuojie*, 脱节) from the masses. CCP cadres in the Shanghai Waterworks Company reported that in 1950 'the Party's influence was not strong' (*dang de yingxiang bu da*, 党的影响不大). All eleven cadres had begun work there between late 1948 and early 1949, and had seized control of the union at the time of the takeover in May 1949. The main complaint they received from the workers was that certain cadres 'looked down on the

¹⁷⁰ TNA FO 371/83346, British Commercial Policy in China; Shanghai to Foreign Office, No. 410, 22/4/50; TNA FO 371/83347, British Commercial Policy in China; Shanghai to Foreign Office, No. 515, 18/5/50.

¹⁷¹ Lieberthal, *Revolution and Tradition in Tientsin*, p. 41.

¹⁷² TNA FO 371/83347, British Commercial Policy in China; Shanghai to Foreign Office, No. 460, 4/5/50; Beijing to Foreign Office, No. 452, 3/5/50; Beijing to Foreign Office, No. 499, 8/5/50; Beijing to Foreign Office, No. 500, 8/5/50.

¹⁷³ TNA FO 371/83348, British Commercial Policy in China; Shanghai to Foreign Office, No. 614, 16/6/50; TNA FO 371/83347, British Commercial Policy in China; Shanghai to Foreign Office, No. 516, 18/5/50.

¹⁷⁴ JSSCA CHINA CL6, Withdrawal from China, p. 9.

masses' (*kanbuqi qunzhong*, 看不起群众).¹⁷⁵ Cadres in the British Tram Company feared Guomindang agents harming them or their families. Many would rather leave the Party (*tuidang*, 退党) than operate publically.¹⁷⁶

Unions were in the contradictory position of nominally representing the interests of the workers, while being classed as 'mass organisations' under the direct leadership of the CCP. Union representatives faced the danger of siding too heavily with the workers and being called ultra-Left 'syndicalists' or of trying to restore order and being charged with Rightist 'bureaucratism.'¹⁷⁷ This anomalous position led them to become weak institutions that were unable to satisfy the workers or the state.¹⁷⁸ CCP cadres at the ground level were not just unwilling to control labour: they were also unable. Their inability to control the workers was probably the more important factor in the ongoing labour disturbances in British enterprises.

'Running dogs'

Throughout Shanghai's history the foreign presence in the city had relied on the cooperation of a large population of English-speaking Chinese people who lived, in a sense, between two worlds: the Chinese and the foreign.¹⁷⁹ These worlds were delineated along lines of language, culture, and all too often, racial prejudice. Becoming more westernised, it was suggested by many contemporary observers, made a Chinese person less Chinese, just as foreigners who 'went native' were seen to be deracinated.¹⁸⁰

¹⁷⁵ SMA A59-1-155, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui Zuzhi Bu suoshu danwei guanyu gongkai dang de gongzuo, tongzhi, jihua, baogao, zongjie* [CCP Shanghai Public Utilities Committee Organisational Bureau to all work units regarding the work of making the Party public, notices, plans, reports, summaries], 1950.

¹⁷⁶ SMA B261-2-273, *Zhonggong Shanghai Shi Dianche Gongsigongsi Dang Zongzhi (Yingdian) guanyu dang de gongzuo jihua* [CCP Shanghai Tram Company Party Central Branch (British Trams) plan regarding Party work], June 1950; *Yingdian zhibu guanyu gongkai dang zhi gongzuo jihua*, Wu Shuji [吴树基] plan for work of making Party public in British Trams Branch], 29/5/50; SMA A59-1-155, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui Zuzhi Bu suoshu danwei guanyu gongkai dang de gongzuo, tongzhi, jihua, baogao, zongjie* [Notices, plans, reports, summaries on making Party public in work units under the CCP Shanghai Public Utility Enterprises Committee's Organisation Department], 1950.

¹⁷⁷ Perry, 'Masters of the Country?' p. 68; Cliver, 'Minzhu Guanli,' p. 416.

¹⁷⁸ Cliver, 'Minzhu Guanli,' p. 416.

¹⁷⁹ Bickers, *Scramble for China*, pp. 102-3.

¹⁸⁰ See for example the case of Harold Acton who lived on the outskirts of the British community in Beijing; Acton had 'resolved to keep aloof from Europeans who did not share my enthusiasm for China, which at that time meant the majority,' his compatriots '... viewed me as another regrettable case of "a chap going native"'

In post-1949 Shanghai there were many Chinese people who worked for foreign companies and spoke fluent English. They mostly fared very badly in the nationalistic climate of 'New Shanghai' as the Sino-foreign grey area they inhabited contracted and was eventually eliminated. The difference between the educational backgrounds of these westernised men and the majority of CCP cadres is conveyed starkly to the historian through the language and presentation of contemporary sources. Butterfield & Swire's Chinese managers wrote extremely formal letters to the authorities in beautiful calligraphy, while grassroots Communist cadres wrote untidily and made frequent mistakes.

Swire were extremely concerned over the fate of their senior Chinese staff. Once the company closed they would be forced to register as unemployed. The registration process included a lengthy investigation into their pasts, as well as compulsory criticism and self-criticism sessions. They feared that these men would be labelled as counter-revolutionaries or spies. They would always remain under suspicion. At the very least they would be denied good jobs and the chance to join union-based welfare schemes to secure healthcare and education for their children.

Writing in 1955, the British Consul General Fred Garner disagreed with Swire's analysis. He suggested that their anglicised Chinese staff would not be 'subjected to actual persecution' as the authorities would want to make use of them. At worst, they would receive low status jobs and be at the back of the back of the queue for welfare benefits. He refuted suggestions that they might be allowed to leave to Hong Kong ('impossible'), or kept on retainers ('it was not B.&S. that started the revolution!'). 'We also have to remember', he concluded, 'I think, that the Chinese are great actors and quite expert at adapting themselves to different circumstances. They would have to learn the language of the revolution, he said: "When the wind blows, the grass bends."' It was believed that representations by the British on behalf of these men would do no good and would perhaps worsen their situation.¹⁸¹

and ... 'believed that Peking insidiously rotted the mind'; Harold Acton, *Memoirs of an Aesthete* (London: Methuen, 1948), pp. 32-7, 380. See also Bickers, *Britain in China*, pp. 68, 82-7.

¹⁸¹ TNA FO 676/525, Foreign business interest in China: Butterfield and Swires, 1955; J.K. Swire, London, to C.T. Crowe, Foreign Office, 4/3/54; F.F. Garner, Consulate General Shanghai to W.I. Combs, Embassy, Beijing, No. 153, 5/5/55.

Garner's view was over-optimistic. For example, while things had been bad for Mr. Langford at Shanghai Ice, they had been much worse for his assistant Mr. Chen. Langford was detained during his normal working hours; Chen was dragged to the office at 3.30am.¹⁸² The actions of Chinese workers towards foreign managers were alarming, but much less restraint was shown towards Chinese capitalists and the high-level Chinese employees of foreign firms.¹⁸³ In April 1951 one of Patons & Baldwins' sub-managers was executed, along with his whole family, in front of a crowd of 15,000. This execution was ostensibly part of the Campaign to Suppress Counter-Revolutionaries. According to the company's Shanghai manager, however, it had been ominously preceded by almost a year of 'full dress' attacks on him with 'under the guise of production.' He had clearly been singled out as an enemy of the workers.¹⁸⁴ Foreign managers were eventually able to close their businesses and leave China, but their Chinese assistants were tied to the business and to Shanghai.

Another man trapped in the middle was Linson Dzau (Cao Linsheng, 曹霖生). Dzau was born to the one of the richest families in China, and educated in the United States at Columbia University and West Point. He was an experienced diplomat who had been present at the signing of the Treaty of Versailles and he had come to be one of the most important Chinese businessmen in Shanghai.¹⁸⁵ Coincidentally, he had also been at one time Zhang Hanfu's teacher at Tsinghua University.¹⁸⁶ Dzau represented several British and American firms in their attempts to deal with the Chinese Communists. One of these firms was W.C. Gomersall's China Engineers.

¹⁸² TNA FO 371/83347, British Commercial Policy in China; Urquhart Shanghai to Hutchinson, Beijing, No. 78, 19/4/50; Copy of Minute by Mr. G. Tarr to Consul General, 19/4/50.

¹⁸³ See for example the case of Mr. Wang of the China Chemical Company in Lieberthal, *Revolution and Tradition in Tientsin*, pp. 126-42. Wang was subjected to three months of attending 'study groups' during the Five Antis Campaign that lasted 13 hours a day. He was completely ostracised from his workers, even though most of them were his relatives.

¹⁸⁴ TNA FO 676/499, Foreign business interest in China: Patons and Baldwins, 1954; C.T. Crowe, Foreign Office to H. Trevelyan, 19/7/54; Patons & Baldwins Limited Memorandum handed to Mr. Morgan Phillips, 6/7/54; Manager to Head Office, 21/7/50; Manager to Head Office, 30/4/51.

¹⁸⁵ TNA FO 371/83344, British Commercial Policy in China; Shanghai to Hutchinson, Nanjing, No. 24, 11/1/50.

¹⁸⁶ NARA RG 59, Box 4210; Shanghai to Secretary of State, No. 820, 24/2/50.

Figure 13: Linson Dzau



In late 1949, Dzau had been invited to Beijing to discuss business by his Tsinghua University fraternity brother Dr. Ji Chaoding (冀朝鼎), who was now an important figure in the Financial and Economic Affairs Committee. He later reported to the American Consulate in Shanghai that at first he had been received cordially, but was later manoeuvred into being an ‘informer’ on foreign business. After ten days of formal interviews at the Finance and Economic Committee headquarters, he was taken to the Political and Legal Affairs Committee headquarters, where the interviews were long and ‘unfriendly.’ He was accused of being a ‘running dog’ of foreign capitalists. On complaining of this treatment to his friend Ji, he was told that there had been bad reports about him. Even Ji could not save him from punishment if he did not clear his name. Believing his end to be near, Dzau wrote a long letter to Ji refuting the allegations against him, arguing that he was working for a strong China and affirming his faith in democracy.¹⁸⁷ At this time, he also wrote an evocative letter to Gomersall that gives some idea of the atmosphere in Beijing:

¹⁸⁷ NARA RG 59, Box 4210; Shanghai to Secretary of State, No. 820, 24/2/50.

Most of the time has been occupied with surveys of all foreign investments in China and attitudes towards individual foreigners. They work thoroughly with historic facts of each foreign firm. I am asked many questions and I endeavour to help constructively or to remove prejudice. I feel at times that some institution should pay me for the sleepless nights and the hours of discussions in smoky, drafty [sic.] rooms requiring at all times nerve-mind balancing feats to be able come out still as a Chinese befitting their conception of a Chinese and yet fair to foreigners without appearing at any time a 'running dog' of imperialists and capitalists ... I may say with a little feeling of boastfulness that I have exerted great influence for moderation of action, politically speaking, and for a reasonable basis of co-operation with Western business-men.

Dzau was not impressed by the Communists' 'confused thinking ... at the present stage too much emotion is mixed up in the issues.'¹⁸⁸ After the interviews he was treated to a series of 'indoctrination lectures' on the evils of imperialism.¹⁸⁹ What would become of this Anglophone man whose background so clearly did not suit the new political climate in Communist China? His exact path is difficult to trace, but archival sources suggest that he experienced a period of prolonged rootlessness as he sought a stable existence.

In February 1950, Dzau had talked to the American Consul in Shanghai about making contact with the anti-Communist 'ten sword' and 'red spear' societies, who were 'his boys' and had asked whether American intelligence agencies still operated in Shanghai. The Consul set little store in his intrigues, as Dzau was known to deal 'in the rumour market.'¹⁹⁰ He appeared again a year later in Hong Kong, where he was apparently working with the working with General Zhang Fakui (张发奎) to support anti-Communist guerrillas in south-west China. He was one among many who attempted to establish some form of 'third force' movement, as an alternative to both the Guomindang and the CCP.¹⁹¹ Penniless, he later left Hong Kong for Macao. There, he worked eighteen-hour days teaching, to earn money to send to his wife and children who remained in China. He wrote of this time:

I suffered extreme depressions, almost lost my mind ... Faith in Christ's word and a resolve to work to the brink of exhaustion, forgetting losses of the past, praying that Mai and the children be

¹⁸⁸ TNA FO 371/83344, British Commercial Policy in China; Urquhart, Shanghai to Hutchinson, Nanjing, No. 28, 12/1/50; letter from General Linson Dzau to Gomersall, 4/1/50.

¹⁸⁹ NARA RG 59, Box 4210; Shanghai to Secretary of State, No. 820, 24/2/50.

¹⁹⁰ Ibid.

¹⁹¹ NARA RG 59, Box 4197, 793.00/2-651; Memorandum of Conversation, Politico-Economic Conditions in China, interview with Mr. Robert Henry, 6/2/51.

granted exit ... was my only remaining strength ... Teaching absorbed all of my efforts leaving no time for correspondence, reminiscences or regrets.

Several years later, Dzau was helped by his former West Point classmates to set up a private preparatory academy named Linson College, where he was eventually joined by his wife and grandchild.¹⁹² Although Dzau's life story is perhaps atypical because of his background and connections, it remains illustrative of the plight of those who did not fit into the new political and social order and whose stories are more difficult to trace. As Chinese nationalism intensified, people like Dzau who lived in the intermediate zones of the Sino-British and Sino-foreign world of the Treaty Ports proved to be neither Chinese enough in the eyes of the Communists, nor foreign enough to have an obvious exit route. They were forced to make difficult choices: they could choose to stay and adapt to new conditions; flee into exile and uncertainty; or set themselves up in direct opposition to the new regime, on the mainland or in Taiwan.

Mass campaigns in British businesses

As we have seen, the CCP were by no means confident of their control over workers in Shanghai's factories and businesses, foreign or Chinese. They initiated a series of political campaigns in order to strengthen their grip and to channel the masses' energies towards revolutionary and economic goals.¹⁹³ Campaigns aimed both to radically transform the old society and to preserve the revolution against Thermidorian reaction. 'Mass line' mobilisation techniques that had been successful in the CCP's rural base areas were transferred to the urban environment.¹⁹⁴ While the efficacy of the campaigns in turning people into committed Communists is in doubt, they were certainly effective in a practical sense.¹⁹⁵

The first major campaign was the Campaign to Suppress Counterrevolutionaries, which began in October 1950.¹⁹⁶ The campaign emerged from real concerns about New China's

¹⁹² Linson Dzau obituary, *Assembly*, Association of Graduates United States Military Academy, June 1978, pp. 128-9.

¹⁹³ Richard Gaulton, 'Political mobilization in Shanghai, 1949-1951', in Christopher Howe (ed.), *Shanghai: Revolution and development in an Asian metropolis* (Cambridge: Cambridge University Press: 1981), pp. 47-8.

¹⁹⁴ Mark Selden, *The Yen'an Way in Revolutionary China* (Cambridge, Mass.: Harvard University Press, 1971), pp. 274-6.

¹⁹⁵ Gaulton, 'Political mobilization,' pp. 47-8, 51, 57-65.

¹⁹⁶ For a study of how this campaign unfolded at ground level in Tianjin see Lieberthal, *Revolution and Tradition in Tientsin*, pp. 101-118.

internal and external safety, but it also aimed to mobilise popular support behind the new government.¹⁹⁷ It was carried out in a highly public manner to demonstrate the power of the new government.¹⁹⁸ While this campaign had little direct effect on foreigners, it was made very clear that the Communists were willing to use ruthless violence to secure the revolution against 'reactionaries' and the agents of imperialism.¹⁹⁹ Executions were ordered by quota.²⁰⁰ According to CCP figures nearly 3,000 'enemies of the state' were executed in Shanghai in 1951. The Guomindang claimed 300,000. Yang Kuisong cites a figure of 712,000 executions across China.²⁰¹

'Resist America, Aid Korea'

In late 1950, the Campaign to Resist America and Aid Korea (*kang Mei yuan Chao yundong*, 抗美援朝运动) was initiated across China. Over 2,000,000 people took part in demonstrations against American imperialism in Shanghai.²⁰² In order to maximise its impact, the Campaign was carried out in all workplaces and public places. In the foreign-owned public utility companies, the Campaign was stated to have three main goals. The first of these was to instil a sense of national pride amongst the workers and to sever any emotional ties they had with America and the West. The second was economic: the workers were told to conserve resources, improve production and 'cherish [their] tools' (*aihu gongju*, 爱护工具). The third aim was to strengthen the Party's control.²⁰³

¹⁹⁷ Strauss, 'Paternalist Terror,' pp. 98-9.

¹⁹⁸ Yang Kuisong, 'Reconsidering the Campaign to Suppress Counterrevolutionaries,' *The China Quarterly*, 193, March 2008, pp.105-6, 120-1.

¹⁹⁹ In his July 1950 instructions on the suppression of counterrevolutionaries, Zhou Enlai linked the presence and perseverance of Guomindang agents to the external threat of imperialism; Zhou Enlai, *Jianguo yilai Zhou Enlai wengao*, Vol. 3, pp. 87-9.

²⁰⁰ Yang, 'Reconsidering,' pp.120-1.

²⁰¹ For the CCP's figures see Strauss, 'Paternalist Terror,' p. 87; For the Guomindang figure see Bergère, *Shanghai*, p. 359; Yang, 'Reconsidering,' pp.105-6, 120-1.

²⁰² Zhou *et al*, *Shanghai waishi zhi*, pp. 50-1.

²⁰³ SMA A59-1-253-3, *Zhonggong Shanghai Shiwei Gongyong Shiye Weiyuanhui guanyu Kang Mei Yuan Chao Yundong de zongjie* [CCP Shanghai Municipal Committee, Public Utilities Committee, summary of the Campaign to Resist America and Aid Korea], 1953; *Gongyong Shiye Weiyuanhui guanyu kang Mei yuan Chao yundong zongjie* [Public Utilities Committee Summary of Campaign to Resist America and Aid Korea]; SMA C1-2-105, *Shanghai Shi Gonghui guanyu Shanghai Gonghui kang Mei yuan Chao baojia weiguo he kaizhan zengchan jieyue juanxian xiuding aiguo zhuyi gongyue de tongzhi, baogao* [Shanghai Union notice and report on Shanghai Unions' Campaign to Resist America Aid Korea Protect Homes and the Nation, initiate economising, contributions and signing of patriotic conventions], 9/12/50-13/8/51.

As discussed in Chapter Two, this concerted attack on the remnants of American influence in Shanghai targeted cultural and educational institutions and American cultural imports. Over the years British, French and Japanese culture had all been influential in shaping the city's cultural landscape, but either side of the 1937-1945 war with Japan, it was American culture that had dominated: Buicks had lined the streets; Hollywood films had drawn the biggest crowds and encouraged glamorous imitators; the international crowd had danced to American jazz provided by Whitey Smith and others; and every night, drunken American seamen had brawled in the infamous 'Blood Alley.'²⁰⁴ These transplanted aspects of optimistic, decadent and hedonistic American culture had suited Shanghai's post-war boom uniquely. In Shanghai and further inland, more staid American missionaries had established a network of schools and hospitals that were supported by close emotional ties to church communities across America.²⁰⁵

Less obvious forms of American cultural influence were also attacked. In the late 1940s, many Shanghai youths had come to define themselves as 'little aeroplanes' (*xiao feiji*, 小飞机). These youths were the Chinese equivalent of American bobby-soxers: young teens known for their wild dancing. The 'little aeroplanes' wore knitted sweaters inscribed with their names or phrases such as 'I Love You.' By January 1951 this group had been made the target of a concerted press campaign which had accused them of immorality, robbery and rape.²⁰⁶

The CCP were extremely effective propagandists and they used all available forms of communication to spread their messages. During the Campaign, more conventional propaganda techniques were supplemented by the use of drama troupes and the appropriation of traditional forms of entertainment such as street singing. Traditional singers would travel from place to place, performing in tea houses and inns; as the vast majority of Chinese were illiterate, they provided an accessible and entertaining means of spreading anti-American messages. Street singers were encouraged to sing simple songs, provided to them through the Communist-controlled guilds of entertainers, in easily understood local vernacular. One ballad noted by American sources and written in Shanghai dialect, was 'Tear up the Paper

²⁰⁴ Karns and Patterson, *Shanghai: High Lights*; Hannah, 'Shanghai,' pp. 179-191.

²⁰⁵ J.A.G. Roberts, *China Through Western Eyes: the Twentieth Century* (Stroud: Alan Sutton, 1992).

²⁰⁶ NARA RG 59, Box 4197 793.00/11-150 to 793.00/2-2851, Consulate Hong Kong to Washington; Observations on the effect of Communist Rule and the Russian Invasion of Shanghai by Mr. Albert Fraleigh, 6/1/51.

Tiger', which included the line 'class controversies in imperialist America are like paper holding fire; one day the revolutionary conflagration will burn imperialism to death' (which presumably was catchier in the original Chinese).²⁰⁷

Newspaper cartoons were also powerful propaganda tools. A study by American intelligence officials in November 1950 found that the three most frequently recurring themes of cartoons were: the glory of 'New China'; the 'Liberation' of Taiwan; and the threat posed to world peace by American imperialism. Of all cartoons analysed on international themes, 48 out of 82 reflected anti-American themes; the most prominent being criticisms of the America's continued support for the Guomindang, its rearmament of Japan, its atomic diplomacy and its war-mongering. These cartoons, it was noted, were obviously greatly influenced by the Soviet humour magazine *Krokodil*.²⁰⁸

The campaign took place in all companies. At first it was reported that things were going exceedingly well in the city's foreign-owned public utility companies.²⁰⁹ Younger workers were particularly enthusiastic in setting up 'pickets' (*jiucha dui*, 纠察队) to protect their enterprises from the threat of enemy agents or internal wrecking.²¹⁰ Vast sums were collected in war donations. On 4th March 1951, over seventy per cent of the city's public utility workers took part in a rally against the rearmament of Japan.²¹¹ Activists and influential 'old workers' (*lao gongren*, 老工人) were mobilised, and 'recollection and denunciation meetings' (*huiyi kongsu hui*, 回忆控诉会) were held.²¹² Since 'Liberation,' attendance at mass meetings in the British Tram Company had been very low, averaging only three to four hundred of the

²⁰⁷ NARA RG 59, Box 4211, 793.001/8-150 to 793.001/6-2551, Chinese Communist use of street singers in their Anti-American Campaign, 31/1/51; Li T'ieh-chih 'Tear up the Paper Tiger,' *Xinhua Book Company*, (Shanghai: December 1950) (20,000 copies).

²⁰⁸ NARA RG 59, Box 4211, 793.001/8-150 to 793.001/6-2551, Consulate Hong Kong to Washington, Chinese Communist Newspaper Cartoons, 24/11/50.

²⁰⁹ SMA A59-1-3-2, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu kang Mei yuan Chao yundong de baogao* [CCP Shanghai Public Utilities Committee report on Campaign to Resist America and Aid Korea], 4/4/51.

²¹⁰ For more on worker pickets see Perry, 'Masters of the Country,' pp. 69-77; for more on mass campaigns and the linking of national goals to political mobilisation and the eradication of undesirable features of the old society see also Ruth Rogaski's analysis of the 1952 Patriotic Hygiene Campaign that was linked to the War in Korea

²¹¹ SMA A59-1-3-2, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu kang Mei yuan Chao yundong de baogao* [CCP Shanghai Public Utilities Committee report on Campaign to Resist America and Aid Korea], 4/4/51.

²¹² SMA A59-1-253-3, *guanyu Kang Mei Yuan Chao Yundong de Zongjie*; *Gongyong Shiye Weiyuanhui guanyu kang Mei yuan Chao yundong zongjie*.

3,256 workers, but during the Campaign, this figure doubled. This success was attributed by the Public Utility Committee to the workers having 'received in no small measure the oppression of imperialism, they have a real class hatred' (*gongren shenshou diguozhuyi yapo, you shishi de jieji chouhen*, 工人深受帝国主义压迫, 有事实的阶级仇恨). 'Only a movement of this type' the Committee reported, 'could widen and deepen' this feeling,

... turning it into a mass patriotic movement, laying bare the hatred and fear of the bullying and oppression of the imperialists, which had previously been buried in [the workers'] hearts.²¹³

Global issues were tied to problems at the factory level. The Campaign in Shanghai was linked to the wider (Soviet-inspired) World Peace Movement.²¹⁴ In March 1950, the World Peace Council in Stockholm began a global movement to sign a petition for world peace.²¹⁵ Work units across Shanghai competed to get signatures; young activists from the British Tram Company harassed passengers into signing their petitions *en route* to work.²¹⁶ By October, it was reported that across China some 190,000,000 signatures had been collected.²¹⁷ In 1952, public utility workers were encouraged to sign 'patriotic conventions' (*aiguo gongyue*, 爱国公约), pledging to improve production. In this way, the work of each individual and each enterprise was tied to the wider political and military situation.²¹⁸

Linking the politics of the factory to the war in Korea was not without risk. Morale plummeted after the American-led United Nations forces landed at Inchon and pushed the North Korean forces back towards the border with China. Cadres in the British Tram

²¹³ SMA A59-1-3-2, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu kang Mei yuan Chao yundong de baogao*; 'Only a movement...' (*zhi yao zhe yang yundong cai neng guangfan shenru, bian wei qunzhongxingde aiguo yundong, jiang guoqu maicang zai neixin dui diguozhuyi changqi yapo he wuru de chouhen he jukong baolu chulai*, 只有这样运动才能广泛深入, 变为群众性的爱国运动, 将过去埋藏在内心对帝国主义长期压迫和侮辱的仇恨和惧恐暴露出来); SMA A59-1-253-3, *guanyu Kang Mei Yuan Chao Yundong de Zongjie*; *Gongyong Shiye Weiyuanhui guanyu kang Mei yuan Chao yundong zongjie*.

²¹⁴ *The Shanghai News*; 'Slogans for Peace Publicity Work,' 4/7/50; Zhou *et al.*, *Shanghai waishi zhi*, p. 51; He *et al.*, *Shanghai waishi sishi nian*, p. 23.

²¹⁵ For more on the World Peace movement see Phillip Deery, 'The Dove Flies East: Whitehall, Warsaw and the 1950 World Peace Congress,' *Australian Journal of Politics and History*, Vol. 48, No. 4, 2002, pp. 450-1; see also *The Shanghai News*, Song Qingling, 'China Signs For World Peace,' 18/6/50.

²¹⁶ SMA A59-1-63, *Yingshang Shanghai Dianche Gongsi zhibu gongzuo baogao (fujian san)* [British Shanghai Tram Company branch summary of work (Appendix 3)], 1950.

²¹⁷ TNA FO 371/83333, China Peace Committee Stockholm appeal: 190 million signatures: communist inspired, 1950.

²¹⁸ SMA A59-1-3-48, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu ge danwei jiancha xiuding he zhixing aiguo gongyue de baogao* [CCP Shanghai Public Utilities Committee report on each work unit examining, revising and carrying out patriotic conventions], 26/10/51.

Company reported that the workers were afraid of the outbreak of a Third World War, the return of the Guomindang, and the dropping of a nuclear bomb on Shanghai. Political activists implored Party cadres: 'When you go, don't abandon us, you must take us with you' (*nimen zou de shihou buyao juanqi women dai women yiqi zou*, 你们走的时候不要捐弃我们要带我们一起走).²¹⁹

The Campaign had obvious successes in terms of increasing production and political education. Yet cadres still found cause to complain that, despite all of their mobilising efforts a large proportion of the Tram Company's workers remained apathetic.²²⁰ This problem was echoed at the Shanghai Waterworks. Here, cadres complained that the workers 'consistently maintained a very 'tranquil' attitude' (*yizhi baochi zhe hen 'pingjing' de taidu*, 一直保持着很'平静'的态度).²²¹

The Three and Five Antis Campaigns and the 'supervision' of British companies

In autumn 1951, Beijing announced the need for further economies to fund the war in Korea. Economy campaigns in the northeast of the country exposed severe corruption involving CCP officials. In response Beijing initiated a nationwide campaign against corruption, waste and 'bureaucratism' in December. This evolved into the 'Three Antis Campaign' (*san fan yundong*, 三反运动). This campaign aimed at 'purging the corrosive influence of capitalist thinking towards our Party' (*suqing zibenzhuyi sixiang dui dang de qinshi*, 肃清资本主义思想对党的侵蚀).²²² Outside the Party the campaign was taken to the masses as the 'Campaign to Increase Production and Economise' (*zengchan jieyue yundong*, 增产节约运动).²²³

²¹⁹ SMA A59-1-253-32, *Zhonggong Shanghai Shiwei Gongyong Shiye Dang Weiyuanhui kang Mei yuan Chao yundong chubu zongjie* [CCP Shanghai Public Utilities Party Committee preliminary summary of Campaign to Resist America and Aid Korea], 22/2/51; SMA A59-1-253-3, *guanyu Kang Mei Yuan Chao Yundong de Zongjie; Gongyong Shiye Weiyuanhui guanyu kang Mei yuan Chao yundong zongjie*.

²²⁰ SMA A59-1-63, *Yingshang Shanghai Dianche Gongsu zhibu gongzuo baogao (fujian san)*.

²²¹ SMA A59-1-253-36, *Shanghai Zilaishui Gongsu guanyu kang Mei yuan Chao qingkuang de baogao* [Shanghai Waterworks Company report on Campaign to Resist America and Aid Korea], 1953.

²²² SMA A38-1-168-78, *Zhonggong Shanghai Shiwei guanyu kaizhan jingjian jieyue, fan tanwu, fan langfei, fan guanliao zhuyi douzheng he zhishi* [CCP Shanghai Municipal Committee instructions on beginning the struggle for economising, anti corruption, anti waste and anti bureaucratism], 29/12/51.

²²³ SMA A38-1-168-52, *Zhonggong Shanghai Shiwei guanyu zai guoying gongying gongchang zhong kaizhan qunzhongxing jiancha langfei yundong yu kaishi jinxing zengchan jieyue yundong de zhishi (caoan)* [CCP Shanghai Municipal Committee draft instructions on beginning mass movement to investigate waste in state and public enterprises and instructions on beginning economy campaign], 1951.

Like all other government departments, the Shanghai FAD was mobilised to take part in the economy campaign.²²⁴ First, a mass meeting was held at which examples of waste and their causes were discussed and criticised. Cadres were lectured on the 'arduous style of work' (*jianku zuofeng*, 艰苦作风) of the 'old Liberated Areas' and were criticised for small wastages, such as leaving lights on when leaving the office, or washing with a whole tub of warm water.²²⁵ In a first round of small group meetings, the leaders criticised 'defects in their working style caused by bureaucratic thinking' (*zuofeng shang cunzai zhe guanliao zhuyi deng maobing*, 作风上存在着官僚主义等毛病). In the second round, cadres were invited to engage in 'quite pointed criticism' (*jiao jianrui de piping*, 较尖锐的批评) of the leadership. Later, they were to direct criticism towards themselves.²²⁶

Eradicating corruption within the Party was not enough. The CCP's cadres were, it seemed, being corrupted by the 'bourgeois-capitalist' milieu of the cities. The environment in which the cadres operated would have to be transformed too. In January 1952, the Five Antis Campaign (*wu fan yundong*, 五反运动) was launched against bribery, tax evasion, theft of state assets, cheating on labour or materials, and stealing state economic intelligence. The Three Antis had aimed at rectifying the Party and the government, but the Five Antis Campaign was directed outwards towards the society that surrounded them. The Shanghai Federation of Trade Unions organised 'tiger beating' (*dahu*, 打虎) teams to teach union cadres and workers how to investigate their companies' accounts, organise struggle meetings and elicit confessions. Shanghai's capitalists were terrified. Many committed suicide.²²⁷

The CCP used campaigns as a way of pressuring foreign capitalists. Why, top leaders asked, should the CCP be 'generous to foreigners and ungenerous to Chinese' (*hou yu Wai, bo yu Zhong*, 厚于外薄于中)?²²⁸ In February 1952, the central government had realised that the

²²⁴ SMA B13-2-41-12, *Waishi Chu Jingjian Jieyue Yundong de qingkuang baogao* [Foreign Affairs Department situation report on the Economy Campaign], 27/12/51; In Shanghai the economy movement was led Vice Mayor Pan Hannian who wielded considerable influence at that time, see; SMA B22-2-64, *Shanghai Shi Renmin Zhengfu guanyu chengli jingjian jieyue weiyuanhui bing you Pan Hannian deng 16 ren zucheng weiyuan de wenjian* [Shanghai People's Government document regarding the establishment of the Economy Campaign Committee comprised of 16 members including Pan Hannian], 8/11/51.

²²⁵ SMA B13-2-41-12, *Waishi Chu jingjian gongzuo de baogao* [Foreign Affairs Department report on economising work], 27/12/51.

²²⁶ SMA B13-2-41-12, *Waishi Chu Jingjian Jieyue Yundong de qingkuang baogao*.

²²⁷ Dillon, 'New Democracy,' p. 92; Dillon gives a figure of 48 suicides and 34 unsuccessful attempts.

²²⁸ MFA 118-00014-07, *Yingguo shangren cheli wenti*.

'fierce' (*menglie*, 猛烈) campaign could not but affect foreign enterprises, so a few rules were laid down. It was decided that foreigners should be generally exempt from mass-led 'confession movements' (*tanbai yundong*, 坦白运动). They could, however, be made to understand that if confessions were forthcoming, punishments would be lighter. Five Antis work in foreign enterprises was to be taken steadily and all charges were to be based on firm evidence. Crimes that were discovered, it was stressed, should be dealt with according to the law rather than through mass-led campaign methods. This represented the imposition of a series of restraints that did not exist in most Chinese firms.²²⁹ Despite these restrictions, several foreign managers were forced to make confessions before mass meetings, an experience described by one as a 'very scary affair' in which they lost 'all personal dignity.'²³⁰

Workers took advantage of the anti-corruption campaign to punish capitalists. They appropriated the language of campaigns to push for long-desired improvements in salaries and conditions.²³¹ The movement had a very negative effect on production: at *The Shanghai News*, for example, a third of the staff were taking part in the Three Antis Campaign (rather than working as usual) at any one time.²³² After the city's economy was nearly completely derailed in late February, the government took firmer control.²³³ The effect on production had been so great that there were over three times as many labour-capital disputes arising from capitalists stopping production or not paying wages in 1952 than in 1951.²³⁴ From then until the summer, the campaign took a more orderly form, trained work teams carried out investigations and supervised the capitalists. By then, more than 10 billion *Renminbi* had been raised through fines and the capitalists' authority had been completely undermined.²³⁵

²²⁹ MFA 118-00009-01, *Zhongyang guanyu waishang, waiqiao bu jinxing 'san fan,' 'wu fan' yundong de zhishi* [Instruction that foreigners and foreign businesses are not to be involved in the 'Three Antis' and 'Five Antis' Movements], 10/2/52-25/2/52.

²³⁰ MFA 118-00014-10, *Yingguo Shangren zai wo 'san fan' 'wu fan' zhong de taidu he suo tichu de wenti* [British businessmen's attitude towards and issue raised about our 'Three Antis' and 'Five Antis' Movements], 23/5/52, The Ministry of Foreign Affairs attributed these comments to a man named Robinson of one of Jardine Matheson's subsidiary EWO companies.

²³¹ Dillon, 'New Democracy,' pp. 90-8; Bergère, *Shanghai*, pp. 357-63; Perry, 'Masters of the Country?' pp. 62, 68.

²³² SMA B35-2-112-1, *Shanghai Xinwen 'sanfan' yundong zongjie baogao (caoan)* [Summary report of the 'Three Antis' Movement in *The Shanghai News* (draft)], 1952.

²³³ Dillon, 'New Democracy,' pp. 90-8; Bergère, *Shanghai*, pp. 357-63.

²³⁴ *Shanghai Laodong Zhi*, p. 482; There were a total of 15,344 disputes, 3.48 times as many as the total for 1951.

²³⁵ Dillon, 'New Democracy,' pp. 90-8; Bergère, *Shanghai*, pp. 357-63.

By May 1952, the Ministry of Foreign Affairs considered that the Five Antis Campaign had induced the desired effect on British businessmen in Shanghai; they were 'deeply panic-stricken' (*shengan konghuang*, 深感恐慌).²³⁶ The Ministry now feared that the workers were going too far. 'Overly leftist moods and actions' (*guozuo qingxu yu xingdong*, 过左情绪与行动) were not approved of. Across China local government officials and union members were instructed to assemble the workers of foreign enterprises and to calm their mood. In future, 'gentler forms of struggle' (*qing huan de douzheng xingshi*, 轻缓的斗争形式) would be employed with 'supervision' (*jiandu*, 监督) of capitalists coming from the government and unions, rather than from the workers. Moderation was urged on local government officials, who were instructed to 'repeatedly explain the Party and Government's policy towards the question of supervising foreign companies, to settle the mood and overcome disorder' (*fanfu jiangming dang he zhengfu duiyu jiandu wenti de zhengce, anding qingxu, kefu hunluan*, 反复讲明党和政府对于监督问题的政策, 安定情绪, 克服混乱).²³⁷

Later that month, the question of how best to conduct the Campaign within foreign enterprises was discussed at a major meeting of leaders from the Ministries of Foreign Affairs, Finance, Industry and Commerce and other related bodies in Beijing. They decided to continue carrying out Five Antis activities in foreign firms, and using this as a way to exercise more control over them through the unions. Mass agitation would be kept in check; there was, however, greater potential for harmful effects than for possible gains. It was also suggested that if the workers 'rose up' in foreign enterprises it would make them more difficult to take over later (*zhigong qilai bu fangbian zhangwo*, 职工起来不方便掌握). The Campaign was to be used as a carefully directed 'tool' (*gongju*, 工具).

A number of firms would be targeted specifically, in order to frighten the rest into conformity. Five Antis work groups would enter factories under the guise of higher level union representatives to form 'mass work groups' (*qunzhong gongzuo zu*, 群众工作组). The mass aspects of the campaign were to be directed away from foreigners and towards their Chinese

²³⁶ MFA 118-00014-09, *Guanyu Yingguo Shangren jieshu zai Hua maoyi wenti* [Regarding the problem of British businessmen ending trade in China], 23/5/52; MFA 118-00014-10(1) *Yingguo Shangren zai wo 'san fan' 'wu fan' zhong de taidu he suo tichu de wenti*, 23/5/52.

²³⁷ MFA 118-00009-01, *Zhongyang guanyu waishang, waiqiao bu jinxing 'san fan,' 'wu fan' yundong de zhishi; Gao ge di guanyu Waishang 'wu fan,' jiandu shengchan, laozi guanxi wenti de zhishi* [Instructions on the Five Antis and foreign businesses, supervision of production and labour-capital disputes in various regions], 10/5/52.

‘running dogs.’ Labour was to be stirred up in industrial concerns but not in trading companies; industrial concerns were not needed in the long run, but trading companies formed a necessary link to the wider world.²³⁸

The Five Antis campaign had sincerely damaged the hopes of British businessmen. After workers began Five Antis ‘investigations’ in his enterprise, even the ‘always proactive’ (*yixiang jiji*, 一向积极) Gomersall, one Ministry of Foreign Affairs observer wrote, had ‘recently and suddenly expressed that he had lost confidence’ in the future of his enterprise in China (*zuijin tu biao sangshi xinxin*, 最近突表丧失信心).²³⁹ The British *chargé d'affaires* Leo Lamb reported to London that it was ‘impossible to give a credible description of the dislocation and despair caused by this movement.’²⁴⁰

Mass campaigns were used as political tools and in British businesses they were used to achieve economic ends. Workers were stirred up in order to apply pressure to British managers. Yet the CCP did not want to simply fire up the workers and set them loose: actions had to be coordinated and targeted to achieve the maximum effect and to avoid unintended consequences such as assaults or deaths. In leading the workers in the struggle against their imperialistic foreign bosses, the CCP were able to secure a greater degree of revolutionary legitimacy, while further consolidating their control over workers in companies that they later hoped to take over.

²³⁸ MFA 118-00014-07, *Yingguo shangren cheli wenti*.

²³⁹ MFA 118-00014-09, *Guanyu Yingguo Shangren jieshu zai Hua maoyi wenti* [Regarding the problem of British businessmen ending trade in China], 23/5/52; *fujian san*, *Yingshang jieshu wenti* [Appendix three, problem of closure of British businesses], 23/5/52.

²⁴⁰ TNA FO 371/105188, China: annual review for 1952; L.H. Lamb, Beijing to Anthony Eden, Secretary of State for Foreign Affairs, Foreign Office, 18/2/53.

Conclusion

In the years following the CCP's takeover of Shanghai, the foreign population declined dramatically in number. Those who remained did so largely to safeguard businesses and property. After the withdrawal of the Americans, 'foreign businesses' in Shanghai effectively meant British businesses. As the political climate in Shanghai became increasingly intense, so did foreigners' lives become more miserable: the trappings of foreign social life, the dancehalls, clubs, bars and sporting venues closed and re-opened as healthy venues for Shanghai's new socialist citizens. While the CCP sought to reduce the foreign population of the city, the actual process of leaving China was fraught with difficulties and delays.

These difficulties were compounded by the vicissitudes of doing business in Shanghai. The CCP did not have a master-plan for taking over foreign businesses from the very beginning. They 'squeezed' them financially to break their grip over sectors of the Chinese economy and to raise revenue. This squeeze was tied into the wider processes of change affecting Chinese capitalists. It was important to keep foreign firms operating and to forbid them to make retrenchments: the authorities particularly wished to avoid an increase in unemployment. Labour-capital disputes were a particular source of problems for foreign capitalists. Local government and union officials had little reason to find in their favour at the expense of the workers they were trying to win over. Foreigners argued their cases in terms of commercial law, while the CCP were more inclined to make decisions based on the political climate. Although foreign staff were often harassed, and sometimes assaulted, they suffered less than their high-level Anglophone Chinese assistants.

Mass mobilisation techniques were employed to persuade the workers to act against the foreign management. As the CCP took a firmer grip over the workers, their anger became increasingly channelled and used as a 'tool.' Throughout the period, higher level officials sought to moderate the actions of the more radical cadres below them. They did not want to wage total war on foreign capitalists. Radicalism had to be tempered by pragmatism. The leadership preferred a drawn-out struggle in which they could make use of the capitalists when it suited them. The next chapter examines the early attempts of foreign businesses to withdraw from China and the methods by which the Communists took over and transformed British businesses.

Chapter 4: Takeovers and Requisitions

Britain's policy from 1949 to 1952 had been to keep 'a foot in the door', to wait out the revolutionary storm and to try and establish a working relationship with the Chinese. They desired the establishment of diplomatic relations because they were concerned for the security of Hong Kong and because they wanted to try to preserve British assets in Shanghai. This policy was compromised by their desire for close cooperation with America in global affairs, which led them to military involvement in Korea and to joining a strategic embargo against China. The Korean War put a halt to negotiations towards the establishment of diplomatic relations. The animosity between them never quite came to a head, however, as both sought to avoid any major crises. For their part, the Chinese sought to 'attack America and draw in Britain' (*da Mei la Ying*, 打美拉英) in order to play on their conflicting interests.¹

By 1952, British firms in China had increasingly begun to despair of their future prospects and the majority were considering withdrawal. It was estimated that, by October in that year, British firms had remitted a total of over £6 million into China just to keep their companies going.² Pressure also built from the Chinese side to accelerate the departure of foreigners; the Shanghai FAD's task for the year 1952 was 'to continue to carry out the limiting and purging of the cultural, political, economic, and other influence of imperialism in China (especially in Shanghai)' (*jixu guanche xianzhi de suqing diguozhuyi zai Hua (tebie zai Shanghai) de wenhua, zhengzhi ji jingji deng fangmian de shili*, 继续贯彻限制的肃清帝国主义在华（特别在上海）的文化、政治及经济等方面的势力).³

This chapter examines the early stages of the withdrawal of British firms, with a particular focus on the fortunes of the Swire group. Firstly, the international and local context is established with a focus on the American-led strategic embargo and the closure of Yee

¹ MFA 118-00014-07, *Wo Waijiao Bu zhaoji youguan bumen kaihui shangtao Yingguo shangren cheli wenti* [Ministry of Foreign Affairs calls meeting of relevant bureaux to discuss problem of withdrawal of British businessmen], 24/5/52-30/5/52; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi fayan jilu, *Waijiao Bu OuFei Si Yi Ke* [First Section of Ministry of Foreign Affairs Europe and Africa Department 30/5/52 record of meeting on problem of British businessmen].

² 'Many Difficulties in the Far East,' *The Times* (Annual Financial and Commercial Review), 13/10/52, p. xxviii.

³ SMA B13-2-41-12, *Waishi Chu Jingjian Gongzuo de Baogao* [Foreign Affairs Department report on economising work], 27/12/51.

Tsoong Tobacco. Previously unused materials from the Ministry of Foreign Affairs archive in Beijing are then used to explore the events of the spring of 1952 when the British tried to speed the withdrawal of their businesses, and the Chinese sought to develop counter-measures. The CCP were very secretive, so the sources presented here (which focus on a policy meeting held at the Ministry in May) offer a rare glimpse of the processes of high-level central policy making.

Following this, two case studies are used to examine the ground-level processes surrounding the takeover of British firms. These are the expropriation of the Shanghai Electric Construction Company (hereafter called by its more commonly used name; the British Tram Company) and the 'transfer' (*zhuanrang*, 转让) of the assets of the Orient Paint, Colour & Varnish Company, a factory managed by Butterfield & Swire. How did the Chinese prepare to take over a British company? What were their priorities when doing so? How did they attempt to transform these companies in the short and long terms once they had been taken over? And how did foreign managers and Chinese workers respond?

The strategic embargo

In the early Cold War period, it became increasingly common for international trade to be used as a weapon. In December 1950, the United States froze all Chinese assets and prohibited trade with China through US ports. The British did not impose a formal embargo at first, and wavered as to the degree of severity with which export controls towards China should be implemented. They did not want to jeopardise the position of British businesses in China. It was hoped that by continuing to trade with the Chinese they could be made less reliant on Moscow. Nevertheless, from early 1949 onwards, the British often tried to impose restrictions on strategic goods behind the scenes. The Chinese trade was ultimately less important than Britain's long-term security goals and the strategic alliance with America.⁴

In late 1949 and early 1950, the Americans persuaded Britain and other European countries to tighten trade controls against Communist countries. They reinforced the message by threatening to end Marshall Aid. Britain hoped to keep these export controls (which were mainly directed towards the USSR and Eastern Europe) separate from those directed towards

⁴ Shao, *China, Britain*, pp. xiv, 61-8.

China. The outbreak of the Korean War caused them to fall into line. The British embargo was strengthened after United Nations resolutions in February and May 1951 branded the Chinese an 'aggressor' in the Korean War and endorsed a strategic embargo. All this was met with dismay from British businessmen in Shanghai. Exports to China from the UK fell from over £10 million in 1950 to £3 million in 1952. The total value of Sino-British trade had climbed to almost £14 million in 1950, but by 1952 it had fallen to £7.6 million.⁵

The industrial goods China needed most (and which had traditionally been imported from Britain) were considered to have strategic value and so were subject to the embargo controls.⁶ After the 1951 United Nations resolutions, China turned to the Soviet Union and its satellites more and more often for trade. Between 1945 and 1949 trade with these countries had accounted for less than 1 per cent of China's total foreign trade; by 1951 it had risen to 61 per cent, and by 1953 to 75 per cent.⁷

In April 1952, the World Peace Council organised the Moscow Economic Conference.⁸ There, a Chinese delegation led by Dr. Ji Chaoding met with a delegation of left-leaning British businessmen and MPs. They concluded a deal worth £10 million to both sides.⁹ The Chinese were pleased to have bypassed the old Shanghai-Hong Kong trading firms by opening a new avenue of trade. This weakened the bargaining position of 'old China hands,' like Jardine, Matheson & Co. and Butterfield & Swire.¹⁰ The Conference, and the deals made there, did not meet with the approval of the British Government.¹¹ This hostility was born of a Cold War era anti-Communism, and a close association with the interests of the China Association and its 'old China hands.'¹² As one Chinese commentator observed, this agreement had 'rather shocked the British merchants in Shanghai, but they also felt rather jealous' (*Shanghai Yingshang powei zhendong, dan po gan cu yi*, 上海英商颇为震动, 但颇感醋意).¹³

⁵ Shao, *China, Britain*, pp. 61-8, 84-108.

⁶ *The Times*, 'Many Difficulties in the Far East; Withdrawal from China,' 13/10/52.

⁷ Shao, *China, Britain*, p. 68.

⁸ 'International Economic Conference opens session in Moscow,' *The Shanghai News*, 5/4/52; 'China & International Economic Conference,' *The Shanghai News*, 6/4/52.

⁹ *The Times*, 'Many Difficulties in the Far East'; Ji Chaoding led these talks but the overall head of the Chinese delegation was Nan Hanchen (南汉宸).

¹⁰ MFA 118-00014-07, *shangtao Yingguo shangren cheli wenti*; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi fayan jilü.

¹¹ Hansard, 'International Economic Conference, Moscow,' HC Deb, 7/5/52, Vol. 500, p. 380.

¹² Shao, *China, Britain*, pp. 129-30, 144, 148-54.

¹³ MFA 118-00014-09, *Guanyu Yingguo shangren jieshu zai Hua maoyi wenti* [Regarding problem of British businessmen finishing trade in China], 23/5/52; *fujian er, Yingshang jieshu wenti* [Appendix two, Problem of

Despite a considerable degree of official obstruction from the British Government (which included the refusal or delay of export licenses and visas), this controversial new group succeeded in conducting a number of deals over the next few years. This group eventually evolved into the less politically sensitive '48 Group of British Traders with China.'¹⁴ The 48 Group, who styled themselves the 'Icebreakers', maintained direct trading links with China throughout the decades that followed and led important trade missions to China in 1953, 1954, 1964 and 1970.¹⁵

The 'transfer' of the Yee Tsoong Tobacco Company

The strategic embargo and the deadlock in Korea exacerbated the tensions already present within Sino-British relations. British firms in China continued to suffer from a depressed market, arbitrary taxation and not being permitted to cut costs. Firms responded to these challenges in different ways. In August 1951, Yee Tsoong Tobacco, a wholly owned subsidiary of British American Tobacco (China), requested that the government find a Chinese state or private organisation to take over all of its assets in exchange for all of its liabilities.¹⁶ The outright transfer of their Shanghai assets to the government-run Shanghai Tobacco Corporation established a precedent that later came to be known as the 'Yee Tsoong model' on which the future closure of the majority of the larger British businesses was based.¹⁷

Yee Tsoong had been in trouble even before the CCP came to power. After 1949, however, the company found itself in the worst possible position: it relied wholly on the government tobacco monopoly for supplies of raw materials and was forced to maintain a low output under a national quota system, while government enterprises competed for its consumers. Deflation and depression led to a dramatic decline in sales. The company had a large

British businesses closing], 23/5/52; MFA 118-00014-04, *Wo dui Yingguo shangren cheli yijian ji Zhang Hanfu fubuzhang de shengming* [My opinion [Huan Xiang] on the withdrawal of British businessmen and Vice Minister Zhang Hanfu's statement], 1/5/51-31/7/52; Statement on Lamb's note of 19/5/52 by Huan Xiang, 5/7/52.

¹⁴ Shao, *China, Britain*, pp. 129-30, 144, 148-54.

¹⁵ Percy Timberlake, *The Story of the Icebreakers in China* (London: The 48 Group Club, 1994), pp. 15-22, 31-6.

¹⁶ MFA 118-00014-09, *Guanyu Yingguo shangren jieshu zai Hua maoyi wenti; fujian er*.

¹⁷ Shao, *China, Britain*, pp. 124-8.

redundant labour force (7,500 workers in Shanghai alone) and high tax burdens.¹⁸ In April 1950 the board decided to cut their losses. Although their assets far outweighed their liabilities, they could not justify remitting more money into China with little prospect of returns.¹⁹

The prospect of this perceived 'surrender' alarmed British Government representatives in China, but even Consul General Urquhart, who had previously been the most vocal champion of the 'stay put' policy, had to admit that he could see no other action for the firm to take. The argument that things would get better should they just wait a while longer might be convincing in London, he argued, but it rang hollow in Shanghai. If there was no improvement soon, he suggested, the British in Shanghai should 'write off our assets and concentrate on getting our people out before pressures become intolerable.'²⁰

'Surrender' on the Yee Tsoong model was seen by the Foreign Office as having potentially disastrous international implications. They hoped that they could encourage the Chinese to either relax their 'squeeze' on foreign firms or expropriate them outright, paying appropriate compensation. They feared a dangerous precedent being set. At this time, British policymakers were particularly concerned with the situation in Iran.²¹ The nationalistic Iranian Government led by Mohammed Mossadegh nationalised the strategically important Anglo-Iranian Oil Company in 1951. This sparked what became known as the Abadan crisis. From 1951 to 1953 the British and the Iranians were locked in a standoff over the ownership of the Abadan refinery, the largest oil refinery in the world. The crisis ended with a *coup d'état* organised by Britain and America. The events in Iran and in China demonstrated a worrying trend: as her military and political prestige declined in the post-war world, so did

¹⁸ TNA FO 371/83345, British Commercial Policy in China; Shanghai to Foreign Office, No. 287, 24/3/50, P.D. Coates Minute on the above, 28/3/50; TNA FO 371/83346, British Commercial Policy in China; Shanghai to Foreign Office, No. 410, 22/4/50; Note of a Discussion with Mr. Oppenheim about the position of the British American Tobacco Company in China, held in the Foreign Office, 4/4/50.

¹⁹ TNA FO 371/83345; British Commercial Policy in China; Note of a Discussion with Mr. Oppenheim about the position of the British American Tobacco Company in China, held in the Foreign Office, 4/4/50.

²⁰ TNA FO 371/83345, British Commercial Policy in China; Shanghai to Foreign Office, No. 287, 24/3/50, P.D. Coates Minute on the above, 28/3/50; TNA FO 371/83346, British Commercial Policy in China; Shanghai to Foreign Office, No. 410, 22/4/50.

²¹ TNA FO 371/83345, British Commercial Policy in China; Note on a Discussion with Mr. Nathan about the Position of the Kailuan Mining Administration, held in the Foreign Office on the 30th March; Record of a Meeting held in the Foreign Office on the 30th March to discuss the position of British Firms in China.

Britain's ability to secure its formal and informal spheres of influence in which commerce was conducted.²²

Soon after British American Tobacco made the decision to close Yee Tsoong the British Chamber of Commerce in Shanghai began preparing a memorandum which argued that there was no future for foreign firms and that those which were able to should withdraw as soon as possible. BAT suggested that when it came to a 'showdown' the firms 'should all act together.' Disunity amongst the British businessmen only allowed them to be played off against each other.²³ Opinion was divided as to whether they should surrender their assets so easily. The main split in the Shanghai business community remained that between John Keswick of Jardine Matheson and W.C. Gomersall of China Engineers.²⁴ Gomersall was committed to persevering in China for as long as possible as his firm had large fixed assets in Shanghai. The tension between these two had also undermined plans in 1949 for a 'British Guild', which would represent all of the British firms to allow them to use their combined strength to improve their position. Keswick and Gomersall would not work together, and so there could be no united action.²⁵

Other firms also disagreed with BAT's transfer deal. John Kenyon, the manager of Patons & Baldwins, argued that his company was better prepared than most to tough out what could turn out to be merely a difficult interim period. They had gained much goodwill by sinking post-1945 profits into a new 'welfare building', with a nursery, clinic, library, and canteen. Patons were in a very different position to BAT, whose financial position did not permit delay. Manufacturers like Kenyon had different aims to traders like Keswick. Kenyon argued that Keswick's policy was 'to force the pace [of closure of industrial concerns] so that he can shed his unprofitable subsidiaries whilst trying to retain the remainder of his [trading]

²² For more on Iran and the Abadan Crisis see Mostafa Elm, *Oil, Power, and Principle: Iran's Oil Nationalization and its Aftermath* (Syracuse, N.Y: Syracuse University Press, 1992).

²³ TNA FO 371/83345, British Commercial Policy in China; British American Tobacco Company Limited, Memorandum, 6/4/50; Shanghai to Foreign Office, No. 300, 27/3/50.

²⁴ TNA FO 371/83344, British Commercial Policy in China; Hutchinson, Nanjing to Foreign Office, No. 166, 19/1/50 forwarding addressed to Nanjing telegram No. 222 of 31/12/49 containing message from Burdett, Tianjin to Urquhart, Shanghai; Urquhart to John Keswick, Confidential Letter, 2/12/49; Shanghai to Hutchinson, Beijing, 11/1/50, No. 24.

²⁵ TNA FO 371/83344, British Commercial Policy in China; Robert Urquhart, Shanghai to Stevenson, Nanjing, Confidential Letter of 6/12/49; Robert Urquhart to John Keswick, Confidential Letter, 30/11/49.

interests.²⁶ Some industrial firms were in a better position than others. These tensions within the business community been exposed in May 1950 when the British Chamber of Commerce in Shanghai called for a general cessation of remittances, with the aim of forcing the issue of closure. Initially many firms were in favour of this united step, but the scheme collapsed when a few firms (including China Engineers) decided not to participate, unwilling to sacrifice their assets for the sake of others.²⁷

For the Chinese, there were several advantages to dealing with British companies through 'transfers' on the 'Yee Tsoong model.' Through these transfers, they acquired the complete assets of a company. In the majority of cases assets far outstripped liabilities. There was the added advantage that with this form of takeover, firms did not have to be closed for even a single day, meaning that widespread unemployment was avoided. British companies were 'squeezed' into a position of weakness so as to encourage them to request the transfers themselves. The Chinese were then able to play the role of benevolent facilitators, simply helping the British withdraw. As the firms requested the transfers and signed legal transfer agreements, their grounds for future compensation claims were diminished. Furthermore, the 'squeezing' process and the takeover negotiations could be prolonged or sped up according to the Shanghai authorities' economic and political requirements. The CCP's anti-imperialist credentials were established through the takeover of British companies, but with minimal economic disruption. The transfer of Yee Tsoong set a precedent upon which all other transfers were based, but in 1952 most of the larger firms had still not decided to close. The majority were keen to persevere in their attempts to secure some form of compensation for their considerable assets.

²⁶ TNA FO 371/83345, British Commercial Policy in China; Robert Urquhart, Shanghai to Hutchinson, Beijing, 9/3/50; Kenyon, P&B to Robert Urquhart, Shanghai, 9/3/50; TNA FO 371/83347, British Commercial Policy in China; Shanghai to Foreign Office, No. 494, 11/5/50.

²⁷ TNA FO 371/83347 British Commercial Policy in China; N.C.C. Trench, Foreign Office, Minute 3/5/50.

The Ministry of Foreign Affairs and the closure of British firms

In October 1950, Zhou Enlai called a meeting of the national foreign affairs apparatus at which the government's preliminary policy towards foreign businesses had been set out. At both this meeting and at a subsequent meeting in 1953, it was stressed that foreign firms would be dealt with along the principles laid out in Zhang Hanfu's March 1949 report on Kailuan, 'treating each situation on its merits and taking steady steps forwards' (*qubie duidai, wenbu qianjin*, 区别对待, 稳步前进).²⁸ The actual processes by which the majority of the larger British firms would be eliminated remained to be worked out, however. Materials from the archives of the Ministry of Foreign Affairs provide a rare glimpse of high-level CCP policy-making below the level of Mao, Zhou and the other top leaders. As the CCP took pains to act in a coordinated, centralised manner, and because they went about their policy-making in a very secretive way, the processes of debate and consultation are usually obscure. As we shall see, increased access to central sources demonstrates that CCP policy was often much more contingent and pragmatic than was once thought.

A Ministry of Foreign Affairs memorandum from early May 1952 took stock of the situation of British firms in China: From June 1950 to December 1951, the memorandum said, the number of British firms in China had declined from 188 to 144.²⁹ The majority of those that had closed were smaller companies. There were now very few companies remaining outside Shanghai: thirty remained in Tianjin, nine each in Guangzhou and Hankou and a few in Beijing, Qingdao and Nanjing. Apart from Gomersall's China Engineers, who had 'expectations for great profits' (*you hou li ke tu*, 有厚利可图), the memorandum continued, the position of the British firms was uniformly bad. The large international trading firms and their associated insurance companies, wharves, shipping companies and warehouses had already 'generally begun to wilt' (*xianyu pubian wei*, 陷于普遍萎).³⁰

On the 12th April 1952 the British *chargé d'affaires* in Beijing, Lionel H. Lamb, presented Vice Minister for Foreign Affairs Zhang Hanfu with a formal note expressing concerns about

²⁸ Zhang Hanfu zhuan, pp. 144-9.

²⁹ The Times, 'Many Difficulties in the Far East; Withdrawal from China,' 13/10/52.

³⁰ MFA 118-00014-09, *Guanyu Yingguo shangren jieshu zai Hua maoyi wenti; fujian er*.

the difficulties faced by British firms.³¹ Lamb complained of six main problems: individual managers being held personally responsible for the policy and actions of their companies; increasing restrictions on the entry and exit of foreign staff; the cancellation of contracts by Chinese Government trading organisations even though raw materials had been paid for; 'taxation and legal judgements which both appear[ed] to be discriminatory against foreigners'; fear of arrest and detention of British subjects incommunicado and without charges being proffered; and 'pressure by labour unions and reluctance of local authorities to give any protection to firms.' 'If this situation continues', Lamb concluded, 'it can only result sooner or later in the elimination of British business interests in China to the detriment of friendly relations between China and the United Kingdom.'³²

Lamb wrote again in May with a note that was to prove extremely important in shaping the CCP's policy towards the future of British businesses. The increasing extent to which state organisations were taking over industry and commerce, Lamb wrote, was eliminating the need for British firms in their present forms. The majority of British firms, he continued, felt 'that they can no longer operate satisfactorily in China and can serve no useful purpose in future.' They therefore wished to sell or to close down. On a more optimistic note, Lamb also reported that many of the trading concerns would wish to adapt their models to continue doing business.³³ This later became known as switching from trading *in* China to trading *with* China.³⁴ Lamb requested that the Chinese help firms to close, by approving the termination of redundant staff, issuing exit permits to foreign nationals and arranging transfers of assets.³⁵ The British Chamber of Commerce in Shanghai wanted a much stronger note calling for state-to-state negotiations for a collective withdrawal, but the British Government had been unwilling to pursue this.³⁶

³¹ MFA 118-00014-01, *Yingguo tanpan daibiao Lan Laina chenshu Yingguo shangren zai Hua maoyi shoudao xianzhi shi* [British Chargé d'Affaires ['Negotiation Representative'] L.H. Lamb statement that trade of British merchants in China is being restricted], 12/4/52; Letter from L.H. Lamb to Zhang Hanfu 12/4/52; MFA 118-00014-09, *Guanyu Yingguo shangren jieshu zai Hua maoyi wenti; fujian er*.

³² MFA 118-00014-01, *Yingguo tanpan daibiao Lan Laina chenshu Yingguo shangren zai Hua maoyi shoudao xianzhi shi*.

³³ MFA 118-00014-03, *Yingguo tanpan daibiao Lan Laine lai han tan zai Hua Yingshang cheli shi* [British Negotiating Representative Lamb's letter on subject of withdrawal of British merchants from China], 19/5/52-24/5/52.

³⁴ Shao, *China, Britain*, pp. 42-3.

³⁵ MFA 118-00014-03, *Yingguo tanpan daibiao Lan Laine lai han tan zai Hua Yingshang cheli shi*.

³⁶ Shao, *China, Britain*, pp. 131-2.

Lamb's note was followed by a statement by Anthony Eden, the Secretary of State for Foreign Affairs made in the House of Commons on the 20th May 1952. Eden echoed Lamb's concerns. He felt that Britain had done all it could: 'trade is a two-way traffic' he said, 'and, if people do not answer one's communications, one cannot get very far.' He also stressed however, the desire of many of the firms to continue trade with China in a new form.³⁷

The head of the Europe and Africa Department at the Ministry of Foreign Affairs, Huan Xiang (宦乡), was the first to deal with Lamb's message. After reading it, he wrote a memorandum in which he described the state of foreign business. Over the last two years, he wrote, under the CCP's 'policy of 'squeeze'' (*'ji' de zhengce*, '挤'的政策), the 'management problems' of the industrial concerns had 'increased daily' (*jingying kunnan rizeng*, 经营困难日增). The trading companies and banks had 'sunk into stagnation' (*xianyu tingzhi*, 陷于停滞). All had large numbers of redundant staff and were almost completely reliant on remittances from overseas to continue.³⁸ Yee Tsoong Tobacco had requested a transfer of assets in August 1951, but the others, Huan wrote, 'had continued to hesitate to make a decision as they are unwilling to abandon their 'chicken ribs'' ['chicken ribs' is a set-phrase meaning something of dubious worth that one remains reluctant to abandon] (*dan yi jilei nan she, gu yizhi chouchu weijue*, 但以鸡肋难舍, 故一直踌躇未决).³⁹ The Ministry now needed to decide on a response to Britain's demarche.

The May 1952 meeting

It was decided that an extraordinary two-day policy meeting would be held at the Ministry of Foreign Affairs, beginning on the 30th May. The meeting was chaired by Huan Xiang. The most pressing item on the agenda was to make a decision on the attitude and countermeasures to be adopted towards any attempted collective withdrawal of British firms. Representatives of all government bodies relating to foreign affairs and economic matters were invited. These included cadres from the Ministry of Foreign Affairs, the Central Finance Committee and the Bureaus of Trade, Transportation, Private Enterprise, and Foreign Capital Enterprises, as well

³⁷ Hansard, 'British Firms, China (H.M. Government's Note), HC Deb 20/5/52, vol. 501 pp. 265-70.

³⁸ MFA 118-00014-04, *Wo dui Yingguo shangren cheli yijian ji Zhang Hanfu fubuzhang de shengming*; Huan Xiang, *Guanyu zai Hua Yingshang jijiang dapi jieshu guantuan shi* [Huan Xiang, Regarding the imminent mass withdrawal of British merchants from China], 22/5/52.

³⁹ Ibid.

as others from the Customs, People's Bank, General Labour Union, and the Shanghai, Tianjin and Beijing FADs.⁴⁰

Guan Datong (管大同) of the Central Finance Committee was among the first to give his opinion. He argued for a continuation of the current policy, saying that the idea of a 'united withdrawal' of British businesses was simply a diplomatic strategy; in reality firms would still have to close individually in accordance with the law. Here Guan admitted that 'in the past detaining British businessmen was a political consideration' (*guoqu liuzhu Yingshang, shi cong zhengzhi shang kaolü*, 过去留住英商, 是从政治上考虑).⁴¹ From an economic point of view, he said, the reality was that 'we want to take more money' (*yao na qu geng duo de qian*, 要拿去更多的钱), especially foreign exchange. This sentiment was echoed by Jiang Ming (江明) of the Trade Bureau, who said 'we should not let Sterling leave' (*bang bu rang qu*, 镑不让去). In all cases, Guan stressed, the wider economic context was the most important factor to be considered: it was especially important to prevent further unemployment, to protect the workers' welfare and to extract tax revenue. Finally, he concluded, there would be political consequences if British property remaining in China was taken over immediately; or, if the British were allowed to withdraw *en masse*, Britain's future Far Eastern strategy might fall into line with that of America. Their policy should be to exploit divisions between the two, to 'attack America and draw in Britain' (*da Mei la Ying*, 打美拉英).⁴²

Jiang Ming spoke next. He suggested that as Britain still held Hong Kong the impact of a British withdrawal on China's trade would be minimal (*Yingshang chechu Zhongguo, women de shengyi keyi shuo buhui shou shenme yingxiang*, 英商撤出中国, 我们的生意可以说不会受什么影响). They could adopt an attitude of 'neither being hot nor cold' (*bu leng bu re*,

⁴⁰ MFA 118-00014-12, *Wo guanyu Yingguo shangren jieshu zai Hua yewu de duice yu dui waishang 'wufan' gongzuo de zhishi* [Instructions on countermeasures against the closing of British merchants' affairs in China and instructions on 'Five Antis' work in foreign firms], 24/5/52-31/7/52; *Duiyu Yingshang jituan jieshu yewu ying cai de taidu ji duice ni zhaoji huiyi taolun you* [On the attitude and countermeasures to be adopted toward the group closure of British firms, plan to call meeting to discuss], 24/5/52.

⁴¹ MFA 118-00014-04, *Wo dui Yingguo shangren cheli yijian ji Zhang Hanfu fubuzhang de shengming*; From Huan Xiang to Zhou Enlai 19/6/52; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi jiyao [Minutes of meeting of 30/5/52 on problem of British firms].

⁴² MFA 118-00014-07, *shangtao Yingguo shangren cheli wenti*; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi fayan jili.

不冷不热) towards the remaining British businesses: neither begging them to stay nor pushing them out. With their new links made through the Moscow conference, they now had two sets of British businessmen with whom to trade. 'We do not,' Jiang continued, 'want to attack them [the trading firms in Shanghai], it is they that want to leave. We only want to attack their monopolistic aspect' (*Women bushi yao da ta, shi ta ziji yao piao zou. Women zhi da ta longduan yi mian*, 我们不是要打他, 是他自己要飘走. 我们只打他垄断一面).⁴³

The head of the American and Australasian Section of the Ministry of Foreign Affairs Ke Bainian (柯柏年) agreed, saying that it had long been their policy to retain a few foreign trading enterprises, but that no concrete measures had yet been put in place. He called for this policy to be implemented more uniformly and effectively. They especially needed to retain the shipping companies and banks.⁴⁴ There were different ways to encourage the foreigners to leave or stay and this was not a zero-sum game: they could retain some and speed the demise of others.⁴⁵

Huan Xiang then addressed the issue of policy toward foreign industrial concerns, saying 'we do not need to be polite towards factories' (*gongchang buyao keqi*, 工厂不要客气). In a statement that would have surprised the British businessmen in Shanghai, the representative of the Shanghai FAD, Shen Shilian said that, 'in the past we only actively squeezed Yee Tsoong, we have not actively squeezed the others' (*guoqu zhiyou dui YiZhong zhu dong ji, qita Yingshang wei zhudong ji ta*, 过去只有对颐中主动挤, 其他英商未主动挤它). He added that, while 'most Shanghai factories should not be allowed to close, those with few employees could be allowed' (*yiban Shanghai gongchan buxu ta guanmen, zhigong shao zhe keyi*, 一般上海工厂不许它关门, 职工少者可以). This demonstrated that the Shanghai authorities' paramount concern continued to be unemployment, not the quick disposal of foreign enterprises. Huan replied that if factories were allowed to close, 'many things would come to be grasped in our hands' (*tingping gongchang xieye, you xuduo dongxi gua zai*

⁴³ MFA 118-00014-07, *shangtao Yingguo shangren cheli wenti*; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi fayan jilü.

⁴⁴ MFA 118-00014-04, *Wo dui Yingguo shangren cheli yijian ji Zhang Hanfu fubuzhang de shengming*; From Huan Xiang to Zhou Enlai 19/6/52; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi jiyao.

⁴⁵ MFA 118-00014-07, *shangtao Yingguo shangren cheli wenti*; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi fayan jilü.

women shou zhong, 听凭工厂歇业, 有许多东西 抓在我们手中). This included burdens as well as assets. The takeover process would have to be gradual.⁴⁶

The closure of foreign businesses should be linked directly to the government's strategic needs, suggested Yu Mei (于眉) of the Transport Bureau. For instance, Yu argued, China lacked wharves and warehouses. The Shanghai United Dockyards and the Shanghai & Hongkew Wharf Company were examples of firms that could be of great use to them. Wharves, warehouses and shipyards were key targets for early takeovers.⁴⁷ Expropriation would seem to be a good choice, but because the Chinese also lacked enough ships to sustain their import/export trade, they also needed to preserve links with the British traders based in Hong Kong. As the largest docks were in the hands of Butterfield & Swire and Jardine, Matheson & Co., they were 'at a great disadvantage' (*wo hen beidong*, 我很被动). They also did not want to simply rent or lease docks and warehouses because the burden of supporting large labour forces would pass to them.⁴⁸

The CCP were very well informed about internal divisions and disputes between different British businesses. Ji Chaoding echoed John Kenyon's sentiments about the reasons for the proposed withdrawal:

Jardines are the most important reason for the 'withdrawal,' and the actions of Jardines and the British Foreign Office are closely entwined. The reason for going is that Keswick says he has lost too much money, he plans to abandon the Chinese market, but he doesn't want others to get their fingers in the pie.⁴⁹

⁴⁶ MFA 118-00014-07, *shangtao Yingguo shangren cheli wenti*; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi fayan jilü.

⁴⁷ MFA 118-00014-04, *Wo dui Yingguo shangren cheli yijian ji Zhang Hanfu fubuzhang de shengming*; From Huan Xiang to Zhou Enlai 19/6/52; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi jiyao.

⁴⁸ MFA 118-00014-07, *shangtao Yingguo shangren cheli wenti*; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi fayan jilü.

⁴⁹ MFA 118-00014-04, *Wo dui Yingguo shangren cheli yijian ji Zhang Hanfu fubuzhang de shengming*; From Huan Xiang to Zhou Enlai, 19/6/52; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi jiyao; 'Jardines are the most important...' (*Chetui zhuyao shi Yihe, er Yihe yu Ying Waijiaobu de xingdong miqie yizhi. Zou de yuanyin, shi Kaiseke shuo peiqian tai duo, ni fangqi Zhongguo shichang, dan you bu yuan bieren lai ranzhi*, 撤退主要是怡和, 而怡和与英外交部的行动密切一致. 走的原因, 是凯瑟克说赔钱太多, 拟放弃中国市场, 但又不愿别人来染指).

The formidable Keswick family did indeed have strong links to the British Government. The China Association was an influential lobbying organisation dominated by the Keswick family and the other 'old China hands' who had entered into a form of symbiotic relationship with the government, described by Cain and Hopkins as 'gentlemanly capitalism.'⁵⁰ Ji also noted that Jardine Matheson had already re-oriented the main thrust of their business away from China towards south-east Asia, Japan and Taiwan.⁵¹ Jardine Matheson had been further convinced of the desirability of withdrawal after the manager of their subsidiary the EWO Brewery, Robin Gordon, was arrested. He was held for three days in March 1952 after being unable to meet the monthly wage bill.⁵² He was released when the wages were paid.⁵³

Ji Chaoding observed that the way to react to any planned mass withdrawal was to deal with all the British businesses individually, in order to play on their divergent interests and ambitions.⁵⁴ Huan took up this theme, saying that they should 'separate Britain and America, the British Government and British business, and different British businesses, and treat them [all] individually' (*fenhua Mei Ying, Ying zhengfu yu Yingshang, Yingshang zhongjian gebie duidai*, 分化英美, 英政府与英商, 英商中间个别对待).⁵⁵

There was a conflict of interests, Huan noted, between trading firms like Jardine Matheson and Swire and those with large fixed assets. Trading companies could reconfigure their business models and trade via Hong Kong, but manufacturing companies could not. Huan stated that they 'only want to pull in the trading firms, the rest we will continue to squeeze, like Yee Tsoong' (*zhi you maoyi shang la, ji reng shi yiguan de, ru YiZhong*, 只有贸易上拉, 挤仍是一贯的, 如颐中).⁵⁶ Huan Xiang concluded the meeting by saying:

⁵⁰ P.J. Cain and A.G. Hopkins, *British Imperialism; Crisis and Deconstruction, 1914-1990* (London: Longman, 1993); Clayton, *Imperialism Revisited*, pp. 123- 138, 199-208.

⁵¹ MFA 118-00014-07, *shangtao Yingguo shangren cheli wenti*; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi fayan jilü.

⁵² MFA 118-00014-09, *Guanyu Yingguo shangren jieshu zai Hua maoyi; fujian er*.

⁵³ TNA FO 371/99364, Conditions in China: information gleaned from accounts of British businessmen and others leaving China, 1952 (pp to 8); Notes on conversations with British business men on conditions in and trade with China, G.V. Kitson to R.H. Scott, Foreign Office, 17/6/52.

⁵⁴ MFA 118-00014-04, *Wo dui Yingguo shangren cheli yijian ji Zhang Hanfu fubuzhang de shengming*; From Huan Xiang to Zhou Enlai 19/6/52; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi jiyao.

⁵⁵ MFA 118-00014-07, *shangtao Yingguo shangren cheli wenti*; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi fayan jilü.

⁵⁶ Ibid.

At present from the point of view of trade, the withdrawal or not of British merchants would neither have a greatly beneficial nor a too detrimental an impact on us, but from a political perspective we should still separate the British Government from British merchants, and implement a policy of distinguishing [between firms] in China and treating them individually ... Regarding the political and economic special privileges of British industrial and commercial firms in China, if they truly voluntarily close, then we will obviously allow them to close, if however they do not close voluntarily, we must ... progressively and slowly push them out and clean up, but a few organisations that are advantageous to us, for example banks, import and export, shipping firms etc, we should continue to retain them for a while, moreover we should actively provide them with the conditions under which they can continue to exist.⁵⁷

In order to speed the closure of those firms the Chinese wanted to close, it was decided that they 'could make things a little easier according to what was permitted under our laws' (*keyi zai women falü rongxu de fanwei nei yu yiding guocheng de fangbian*, 可以在我们法律容许的范围内予一定过程的方便).⁵⁸

How had central policy been reflected in Shanghai? A week before the meeting the Shanghai FAD had written to Zhang Hanfu with their proposals for future policy. Their current policy, they wrote, was one of gaining the 'upper hand' (*zhudong*). Sometimes they had directly interfered in the British firms' business, but more often inaction yielded better results. Taking the elimination of foreign interests slowly was considered 'not only advantageous to us politically, but is also economically advantageous to us' (*budan zai zhengzhi shang dui*

⁵⁷ MFA 118-00014-04, *Wo dui Yingguo shangren cheli yijian ji Zhang Hanfu fubuzhang de shengming*; 'At present from the point of view of trade...' (*zhao muqian maoyi shang de qingxu kan, Yingshang chetui bu chetui, dui women de lihai guanxi bu tai da. Dan cong zhengzhi shang kan, women reng ying fenhua Ying zhengfu yu Yingshang, bing zai Yinghang zhongjian shixing qubie duidai... dui zai Hua Yingguo gongshang ye de zhengzhi jingji tequan, ruguo tamen zhende zidong jieshu, na dangran jiu ting ta jieshu, ruguo tamen bing bu zidong jieshu, na women bixu yi anzha zongli ben nian san yue xiang Waishi Chu Zhang huiyi shang jianghua de jingshen, jiji you buzhuo de manman de ji ta ganjing; dan duiyu moxie yu wo youli de yewu he jigou, liru, yinhang, jinchukou shang hangyun shang deng, women reng ying you yiyi de baoliu yixie, bing zhudong de gei ta yixie keyi sheng xiaqu de tiaojian*, 照目前贸易上的情形看, 英商撤退不撤退, 对我们的利害关系不太大. 但从政治上, 我们仍应分化英政府与英商, 并在英商中间实行区别对待... 对在华英国工商业的政治经济特权, 如果它们真的自动结束, 那当然就听他结束, 如果它们并不自动结束, 那我们必须依按照总理本年三月向外事处长会议上讲话的精神, 积极有步骤的慢慢的挤它干净; 但对与某些与我有利的业务和机构, 例如, 银行, 进出口商航运商等, 我们仍应有意义地保留一些, 并主动地给它一些可以生存下去的条件).

⁵⁸ MFA 118-00014-04, *Wo dui Yingguo shangren cheli yijian ji Zhang Hanfu fubuzhang de shengming*; From Huan Xiang to Zhou Enlai 19/6/52; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi jiyao.

women youli, ji zai jingji shang ta shi dui women youli de, 不但在政治上对我们有利, 即在经济上他是对我们有利的).⁵⁹

Zhang Hanfu's reply

Vice Minister Zhang Hanfu responded to Lamb's messages and Eden's statement with a formal statement of his own on 5th July. He said that China was willing to trade with all nations on an equal and mutually advantageous basis. He blamed the problems of British business on Britain's participation in the American embargo.⁶⁰ In internal Chinese documents the companies' 'rotten colonial traditional management methods' (*fuxiu de zhimindi de chuantong jingying fangfa*, 腐朽的殖民地的传统经营方法) were also blamed.⁶¹

Zhang stressed that Chinese Government's policy had always been to protect foreign businesses: they had provided loans, made orders and mediated in labour disputes. Why should the Chinese show favour to British interests, especially when Britain was being so 'unfriendly', and when Chinese firms were suffering from nearly identical problems? Nevertheless, Zhang promised to help assist foreign firms to close, as long as they did so according to Chinese law.⁶²

The decisions taken at the Ministry's May meeting were approved by Zhou Enlai and distributed across the country as the 'Instructions regarding countermeasures against the closure of foreign firms and the conditions for dealing with illegality involving British

⁵⁹ MFA 118-00014-04, *Wo dui Yingguo shangren cheli yijian ji Zhang Hanfu fubuzhang de shengming*; From Shanghai FAD to Zhang Hanfu, 23/5/52.

⁶⁰ MFA 118-00014-04, *Wo dui Yingguo shangren cheli yijian ji Zhang Hanfu fubuzhang de shengming*; *Zhongyang Renmin Zhengfu Waijiaobu*, *Zhang Hanfu fubuzhang jiu Ying zhengfu wu yue shiliu ri huifa shengming* [Central People's Government Ministry of Foreign Affairs, Vice Minister Zhang Hanfu making statement in reply to British Government's 19/5/52].

⁶¹ MFA 118-00014-13, *Guanyu Yingguo fangmian dui Zhang Hanfu fuzhang shengming de fanying* [On the British response to Vice Minister Zhang Hanfu's statement], 1/8/52-31/8/52; *Neibu Zhishi (chugao)* [Internal instruction (draft)]; *Guanyu Yingshang jieshu yewu de duice yu dui waishang 'wufan' gongzuo de zhishi* [Instruction on countermeasures against British merchants closing businesses and on 'Five Antis' work in foreign enterprises].

⁶² MFA 118-00014-11, *Guanyu dui Yingguo tanpan daibiao Lan Laine yi jiu wu er nian wu yue shi jiu ri zhaohui de huiyu (caogao)* [Regarding reply to British negotiating representative Lamb's 19/5/52 memorandum (draft)], 1/6/52-30/6/52.

businessmen during the Five Antis Campaign.’⁶³ The Chinese Government’s stated policy towards British business was to:

... attempt to make them voluntarily transfer [their assets], so that we can take them over under the conditions of ‘on just grounds’ and ‘to our advantage.’ Those manufacturing concerns that are unwilling to withdraw and are willing to continue at present can be permitted to continue temporarily, those that are relatively proactive and who are working for the promotion of Sino-British trade can be given orders, in order to suit the needs of our trading companies.⁶⁴

They decided to pay special attention to those firms that imported industrial machinery, chemicals and raw materials. Shipping businesses would be useful to future trade, as would banks. Although foreign banks in China had little business, they would be useful to secure the safety of Chinese banks abroad and facilitate future trade. They could be given enough business to subsist, in order to prevent them from ‘actively advocating withdrawal’ (*shi zhi buzhi jiji de zhuzhang chetui*, 使之不致积极的主张撤退).⁶⁵

To conclude, we are carrying out a planned squeezing out of some of them, particularly some of the manufacturing industries, and a ‘taking back’ of equipment that we need. At the same time, we are also retaining some of them in a planned way, most importantly the import/export companies, shipping companies and some of the industries ... In this way we can seek to resolve the withdrawal of the British businesses in China in a more relaxed atmosphere in a position that is more politically favourable to us.⁶⁶

⁶³ MFA 118-00014-13, *Guanyu Yingguo fangmian dui Zhang Hanfu fuzhang shengming de fanying*; *Neibu Zhishi(chugao)*; ‘Instructions regarding countermeasures...’ (*guanyu Yingshang jieshu yewu de duicai yu chuli wufan yundong zhong Yingshang weifa an tiaojian de zhishi*, 关于英商结束业务的对策与处理五反运动中英商违法案件的指示).

⁶⁴ MFA 118-00014-13, *Guanyu Yingguo fangmian dui Zhang Hanfu fuzhang shengming de fanying*; *Neibu Zhishi(chugao)*; *Guanyu Yingshang jieshu yewu de duice yu dui waishang ‘wufan’ gongzuo de zhishi*; ‘attempt to make them voluntarily transfer...’ (*yiban de shuo, Yingshang zai Hua gongchang zhizao ye daduo yuanyi chetui, women reng ying shefa, shi zhi zidong zhuanrang, you wo zai youli de tiaojian xia yuyi jieban. Muqian wuyi chetui er yuan jixu weichi zhi zhizao ye, ke zanshi ting ta qu, gebie jiao jiji de, wei ZhongYing maoyi jiagong de gongchang ze ke jiagong dinghuo, yi shiying wo maoyi shang de yaoqiu*, 一般的说, 英商在华的工厂制造业大多愿意撤退, 我们仍应设法, 使之自动转让, 由我在有理有利的条件下予以接班. 目前无意撤退而愿继续维持之制造业, 可暂时听他去, 个别较积极地, 为中英贸易加工的工厂, 则可加工订货, 以适应我贸易商的要求).

⁶⁵ MFA 118-00014-13, *Guanyu Yingguo fangmian dui Zhang Hanfu fuzhang shengming de fanying*; *neibu zhishi (chugao)*; *Guanyu Yingshang jieshu yewu de duice yu dui waishang ‘wufan’ gongzuo de zhishi*.

⁶⁶ MFA 118-00014-13, *Guanyu Yingguo fangmian dui Zhang Hanfu fuzhang shengming de fanying*; *Neibu Zhishi (chugao)*; *guanyu Yingshang jieshu yewu de duice yu dui waishang ‘wufan’ gongzuo de zhishi* [Instruction on countermeasures against British merchants closing businesses and on ‘Five Antis’ work in foreign enterprises]; ‘To conclude, we are carrying out...’ (*Zongde shuolai, women shi yao you jihua de jidiao yi bufen, zhuyao shi yi bufen zhizao ye, bing shouhui wo suo xuyao de shebei. Tongshi, you ke you jihua de zanshi baoliu yi bufen, zhuyao de shi jinchukou maoyi shang, hangyun ye yu bufen gongye. Dangran qizhong*

As the records of the May 1952 meeting show, the CCP developed an effective series of countermeasures against a united withdrawal of British businesses, which would have had disastrous effects on the Chinese economy. They developed pre-existing 'squeezing' techniques into an effective tool with which to pressure the businesses into closing on their terms and at a pace that suited them.

Requisitioning

In April 1951, the British Government expropriated the Chinese oil tanker the 'Yung Hao' (*Yonghao*, 永灝) in Hong Kong, because they feared that it would be used to support the Chinese war effort in Korea. In reply, the Chinese expropriated the entire property of the Shell Company of China, Ltd., with the exception of some of their offices and their bank deposits. Oil stocks were sold off at artificially low prices set by the military commissioner placed in charge. A small trading office was allowed to remain open.⁶⁷

In the second half of 1952, the Privy Council of the British Government controversially settled a long-running dispute over the ownership of 71 commercial 'planes in Hong Kong. The Privy Council overruled the Hong Kong High Court and awarded the 'planes to the American claimant, despite there being strong grounds for awarding them to the People's Republic. The Americans had threatened to withdraw Marshall Aid from Britain if these aircraft were awarded to China.⁶⁸ This was a wholly political move and Zhang Hanfu protested loudly. He accused the British Government of being deliberately provocative and 'openly hostile.'⁶⁹ The Chinese press claimed that Britain had used 'a variety of illegal tricks' in a plot to 'rob these 'planes' on behalf of their 'American masters.'⁷⁰

reng ran keyi qubie qi zhongyaoxing, diqu, zuoyong, xitong, er fenbie duidai. Zhe yang jiu keyi shi zai Hua Yingshang de chetui zai songchi kongqi zhong qiude jie jue. Zai zhengzhi shang shi wo chuyu youli de diwei, 总的说来, 我们是要有计划的挤掉一部分, 主要是一部分制造业, 并收回我所需要的设备. 同时, 又可有计划的暂时保留一部分, 主要的是进出口贸易商, 航运业与部分工业. 当然其中仍然可以区别其重要性, 地区, 作用, 系统, 而分别对待. 这样就可以使在华英商的撤退在松弛空气中求得解决. 在政治上使我处于有利的地位).

⁶⁷ He *et al.*, *Shanghai waishi sishi nian*, pp. 14-15; Shao, *China, Britain*, pp. 73-6; *The Shanghai News*, 'British Seizure of Chinese Tanker Exposed,' 4/5/49.

⁶⁸ Shao, *China, Britain*, pp. 76-9.

⁶⁹ MFA 110-00021-01, *Ying zhengfu jieduo woguo liang hangkong liu Gang feiji wofang zai du yanzhong kangyi de shengming ji youguan jianbao* [British Government seize our two airlines in Hong Kong, another

The disputed 'planes belonged to the China National Aviation Company and the Central Air Transport. The cases were settled in July and October with roughly half the 'planes being dealt with at each time. In retaliation for the July decision, the Chinese requisitioned two British dockyards: these were Shanghai Dockyards and the Mollers Engineering and Shipbuilding Works. *The Shanghai News* reported that the 'elated' Chinese workers of these companies celebrated the expropriation with drums and gongs.⁷¹ One Foreign Office observer noted that the Chinese had clearly taken advantage of the situation to achieve something that they had wanted for a long time.⁷² Yu Mei had indeed suggested at the May 1952 meeting at the Ministry of Foreign Affairs that the Shanghai Dockyards were a desirable target for an early takeover.⁷³ After the aircraft debacle, the Foreign Office decided in January 1953 not to requisition any more Chinese property. Further requisitions would not be in Britain's interest. China had very few valuable assets in British territories. They also did not want to risk Communist-inspired public disorder in Hong Kong or the death of the Hong Kong-China trade as British shipowners would refuse to risk their vessels in Chinese ports.⁷⁴ Only a very few British businesses or properties were expropriated by the new Chinese Government: the rest would be dealt with through other means.

strong statement of protest from our side and related reports], 28/10/52; see also *The Shanghai News*, 'Chang Han-fu Protests British Gov't Seizure of China's Aircraft in HK,' and 'British Gov't Warned Against what it has Sown,' 5/8/52; 'British Brutality in Seizing Chinese Aircraft in HK; British Gov't once again proved lackey of U.S. Imperialism,' 10/8/52.

⁷⁰ *The Shanghai News*, 'Illegal and Absurd Trial,' 13/5/52, 'British Gov't's Illegal Seizure of Chinese Aircraft in Hongkong,' 17/8/52; 'Chang Han-fu Protests British Gov't Seizure of China's Aircraft in HK,' 30/10/52.

⁷¹ *The Shanghai News*, 'SMCC Orders Requisition of British Shipyards Here,' 18/8/52.

⁷² TNA FO 371/99345, Confiscation and requisitioning of foreign property in China; particulars of cases where British individuals and firms have suffered from Chinese requisitioning; requisitioning of public utility companies in Shanghai, 1952; 'Requisition of two British dockyards (Shanghai Dockyards and Moller's) on 15th August,' Foreign Office to L.H. Lamb, Beijing, 22/8/52; Shao, *China, Britain*, pp. 79-80.

⁷³ MFA 118-00014-07, *shangtao Yingguo shanggren cheli wenti*; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi fayan jilü.

⁷⁴ TNA FO 371/108082, Closure of GB Firms in China, 1952; Seizure of Chinese property in retaliation for the requisitioning of British Firms in China, Foreign Office Minute by J.M. Addis, 24/1/53.

‘The British boss is gone and will never return’: Foreign public utility companies in Shanghai and the requisitioning of the British Tram Company⁷⁵

In a further response to the British Government’s October 1952 decision to award the remaining aircraft in Hong Kong to the American claimant, the Chinese expropriated three large British public utility companies in Shanghai on the 20th November 1952. These were the Shanghai Waterworks Company, the Shanghai Gas Company and the British Tram Company.⁷⁶ Additionally they expropriated Mackenzie & Co., a company specialising in managing warehouses and press-packing.⁷⁷

Securing control of the city’s public utilities was crucial. As one Foreign Office official noted: ‘Foreign public utility companies are not popular anywhere, and no doubt they are particularly unpopular in Communist countries.’⁷⁸ The smooth running of these companies, which were legacies of the city’s former foreign administrations (the International Settlement and the French Concession), was essential to the city’s economy. The British Tram Company employed 3,500 workers and carried 40 per cent of Shanghai’s total passengers. The Gas Company was the largest in town with 17,000 customers and the 3,213 workers of the Shanghai Waterworks produced more than half of the city’s water supply.⁷⁹

Before examining the takeovers of these companies, perhaps it is worth taking a step back to examine the situation before November 1952. When the CCP seized Shanghai in May 1949, they immediately brought both foreign and Chinese public utility companies under their close

⁷⁵ SMA B261-1-65, *Shanghai Shi Yingdian dang zongzhi 1952 nian zhengyong Yingshang dianche gongsi de fangan, baogao, xiaogao, xuanchuan ziliao* [Shanghai CCP British Tram Company central branch 1952 plan for expropriation of British Tram Company, reports, brief reports and propaganda materials], November – December 1952; *Zhonggong Shanghai Dianche Gongsi dang weihui, xuanchuan cankao cailiao* [CCP Shanghai Tram Company Party Committee, propaganda consultative materials], 26/11/52; ‘The British Boss ...’ (*Yingguo laoban shi yiqu bu fufan le*, 英国老板是一去不复返了).

⁷⁶ SMA B1-2-1464-17, *Zhongguo Renmin Jiefang Jun Shanghai Shi Renmin Zhengfu Junshi Guanzhi Weiyuanhui guanyu jue ding zhengyong Yingguo zai Shanghai Shi de ‘Shanghai Dianche Gongsi,’ ‘Shanghai Zilaishui Gongsi,’ ‘Shanghai Meiqi Gongsi’ ji ‘Fengmao Gongsi’ quanbu caichan de mingling* [Chinese People’s Liberation Army Shanghai People’s Government Military Control Committee, order on decision to expropriate the entire assets of Shanghai British ‘Shanghai Tram Company,’ ‘Shanghai Waterworks Company,’ ‘Shanghai Gas Company’ and ‘Mackenzie & Company’], 20/11/52.

⁷⁷ Shao, *China, Britain*, pp. 80-83; He *et al.*, *Shanghai waishi sishi nian*, p. 14.

⁷⁸ TNA FO 371/83348, British Commercial Policy in China; N.C.C. Trench, Minute 1/7/50 on Shanghai to Foreign Office, No. 565, 9/6/50.

⁷⁹ Zhou *et al.*, *Shanghai waishi zhi*, pp. 314-7.

supervision.⁸⁰ This was a top-down seizure: the old systems and personnel were retained. The six large foreign public utility companies were to be protected as long as they followed government instructions. As with the Kailuan mines, military liaison officers were sent to each company to 'assist' their management.

According to Liu Shaoqi, the role of these military representatives across China was to 'supervise private enterprises that have a vital bearing on the national economy and people's livelihood and whose owners cause trouble or move slowly.' They were also supposed to assist them when appropriate.⁸¹ Foreign public utility companies in Shanghai were assisted through loans and other arrangements, but the price was increased 'supervision' and control.⁸² These loans were a mixed blessing: they enabled the company to continue in the short term but as the currency depreciated, the loans were not simultaneously written down, meaning that they became long-term burdens.⁸³ Communist Party and Youth League organisations were strengthened in each enterprise and the unions were brought under CCP control.⁸⁴ The military liaison officers and Party cells within each enterprise were charged with 'educating and uniting with the workers and winning over the engineers' (*jiaoyu he tuanjie zhigong, zhengqu gongcheng shi*, 教育和团结职工, 争取工程师). Stability and unity were emphasised, not revolution and class struggle.⁸⁵

⁸⁰ Shanghai Gongyong Shiye Zhi Bianzuan Weiyuanhui [Record of Labour in Shanghai Public Utility Enterprises Committee], *Shanghai Gongyong Shiye Zhi* [Record of Labour in Shanghai Public Utility Enterprises] (Shanghai: Shanghai Shehui Kexueyuan Chubanshe [Shanghai Academy of Social Sciences Publishing House], 2000), pp. 27-9, 62-4, 152-6, 314-17.

⁸¹ Liu Shaoqi, 'Some Questions Concerning Urban Work,' 12/3/49, *Selected Works of Liu Shaoqi*, Vol. 1.

⁸² Ye Jinming (叶进明), 'Gongyong Shiye Chu jieguan Guomindang Gongyong Ju suoshu jigou he jiandu waishang gongyong shiye' [Public Utility Department take over organs belonging to the Guomindang's Public Utilities Bureau and supervise foreign public utility enterprises]; 'Gongyong Shiye Chu guanyu jieguan gongzuo de chubu zongjie' [Public Utility Department initial summary of takeover work], 8/7/49, in *Jieguan Shanghai*, pp. 379-84, 397-400; Shanghai shi Gonggong Jiaotong Gongsu bian xie zu [Shanghai Public Transport Company Editorial Group], *Shanghai Yingdian gongren yundongshi* [History of Workers' Movements in the Shanghai Electric Construction Company] (Zhonggong Dangshi Chubanshe [CCP Party History Publishing House], 1993), pp. 8-9; TNA FO 371/92258, Reports and situation of foreign-owned public utility companies in Shanghai, 1951; Shanghai Foreign-Owned Utility Companies; Amendments to a Report written on the 13/9/49, E.R. Talamo, Consul (Commercial), 5/5/51.

⁸³ TNA FO 371/83348, British Commercial Policy in China; N.C.C. Trench, Minute 1/7/50 attached to Shanghai to Foreign Office, 565, 9/6/50.

⁸⁴ See for example the development of the CCP organs in public utility companies following the 6th February 1950 bombings; SMA A59-1-31-1, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu fazhan dang de tongzhi* [CCP Shanghai Public Utility Committee notice regarding development of the Party], 24/3/50.

⁸⁵ MFA 118-00046-12, *Shanghai Shi Waiqiao Shiwu Chu Ba-Jiu Yue gongzuo baogao* [Work report of the Shanghai Foreign Citizens Affairs Department for August-September], 21/9/49.

As part of the Chinese response to the freezing of their assets by the American Government, the two American public utility companies, the Shanghai Power Company and Shanghai Telephone Company, were placed under the control of the Military Control Committee in December 1950. The American and British staff soon departed.⁸⁶ Once the foreign executives had resigned, the Chinese managers were soon undermined. The manager of the Telephone Company died of heart failure soon after retiring in February 1951. The three Power Company managers were investigated on espionage charges for their links to the American imperialists and the Guomindang.⁸⁷ The companies then operated effectively as state-run enterprises under military control, before being officially put under state control in 1954.⁸⁸

The policy adopted by the three British-owned companies was to wait for the inevitable takeover and to prepare to be in the best possible negotiating position when it happened. They adopted a policy of cooperation mixed with passivity. This involved avoiding taking on any new burdens while not giving the Chinese an excuse to take them over without some form of compensation. The three companies were all relying on remittances from abroad to keep going. The status quo suited the Chinese, who faced many problems with limited resources. They sought to benefit from the technical expertise of the companies' foreign staff by asking them to train their eventual successors. The companies accepted that this would probably accelerate the speed at which they would be taken over, but they welcomed a quick settlement of this issue.⁸⁹ As the table below demonstrates, during this period of 'supervision' the number of foreigners employed in all of Shanghai's large foreign public utilities decreased significantly:

⁸⁶ TNA FO 371/92258, Reports and situation; Shanghai Power Co., 6/1/51; Shanghai to Foreign Office, 9/4/51.

⁸⁷ TNA FO 371/92258, Reports and situation; Arrest of Employees of Shanghai Power Station, Shanghai to Foreign Office, 5/4/51; Shanghai Telephone Company, Talamo, 3/5/51.

⁸⁸ SMA A38-2-6-3, *Zhonggong Shanghai Shiwei guanyu tongyi Shanghai Shi Renmin Zhengfu Waishi Chu 'guanyu qian Meishang Shanghai Dianli Gongsi yu Shanghai Dianhua Gongsi de jieshu jieguan wenti' de pifu* [CCP Shanghai Committee approval of Shanghai People's Government Foreign Affairs' Department's 'The question of ending military control over the former American Shanghai Power Company and Shanghai Telephone Company'], 1954; TNA FO 371/92258, Reports and situation; Taking over of Shanghai Power Company by Military Commission, Shanghai to Foreign Office, 8/1/51; for more on this company see Warren W. Tozer, 'Last Bridge to China: The Shanghai Power Company, the Truman Administration and the Chinese Communists,' *Diplomatic History*, Volume 1 Issue 1, Pages 1 - 95 (January 1977).

⁸⁹ TNA FO 371/92258, Reports and situation; Memorandum on the Shanghai Public Utility Companies; Shanghai Electric Construction Company Limited (British Trams), E.R. Talamo, 5/1/51; Shanghai Utility Companies, E.R. Talamo, 13/9/49; Shanghai Gas Company, Ltd., Annual General Meeting, 19/9/51; The Shanghai Electric Construction Company Ltd., AGM, 25/9/51.

Table 8: Foreign employees of Shanghai public utility companies 1939- May 1951

Company	Pre-War	September 1949	May 1951
British Tram Co. (GB)	34	9	4
French Tram Co. (F)	50	40	8
Shanghai Gas Co. (GB)	30	10	2
Shanghai Power Company (US)	204	14	0
Shanghai Telephone Co. (US)	30	20	0
Shanghai Waterworks Co. (GB)	66	16	14

*Source: adapted from TNA FO 371/92258, Reports and situation of foreign-owned public utility companies in Shanghai, 1951*⁹⁰

One report from the British Consul General in Shanghai suggested that:

The People's Government may now realise that they are incapable of taking over the foreign utility companies not only now but in the immediate future. However there seems to be no doubt that the utility companies will eventually be taken over.⁹¹

On hearing that Pollock, the traffic manager of the British Tram Company, was planning to return home in 1950, the Shanghai FAD approached him four times to try to persuade him to stay on; he refused on the grounds of ill health.⁹² Archival traces show that Pollock was being reported on by a senior member of his staff; reports remain of conversations that took place in the office on local and international affairs. Particular emphasis was placed on Pollock's disapproval of Britain's handling of the Hong Kong aircraft case. Knowing that he held these kinds of opinions may have made the Chinese more inclined to ask him to stay.⁹³

On the morning of the 20th November, the military representatives charged with taking over the three utility companies met at the Shanghai FAD where the expropriations were

⁹⁰ TNA FO 371/92258, Reports and situation; Shanghai Foreign-Owned Utility Companies; Amendments to a Report written on 13/9/49, E.R. Talamo, Consul (Commercial), 5/5/51.

⁹¹ Ibid.

⁹² Shao, *China, Britain*, p. 82.

⁹³ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan*; handwritten reports of conversations, 8/8/52, 28/8/52, 15/9/52, 3/10/52, 27/10/52, 30/10/52.

announced.⁹⁴ The workers at the British Tram Company were informed of the news through the union's loudspeakers. According to *The Shanghai News*, younger workers then requested music be played so that they might dance in celebration.⁹⁵ Extensive preparations had been made. A few days of disorganisation in most private industries would not be widely noticed, but the mismanagement of public utilities would affect the whole city and damage the CCP's prestige. It was crucial to ensure a stable takeover.⁹⁶ The city's only remaining foreign-owned public utility company, the French-owned *Compagnie Francaise De Tramways et D'Eclairage Electriques de Shanghai*, was taken over in November 1953.⁹⁷

The plan for the first week after the takeover of the British Tram Company was to capitalise on the moment of change to mobilise the workers. On the morning of the takeover, a union meeting was called at which the government's policies were explained. That evening, another meeting was held to welcome Gu Kaiji (顾开极), the military representative.⁹⁸ Gu was an experienced underground Party activist who had worked in Shanghai's public utility companies throughout the Sino-Japanese War.⁹⁹ After 'Liberation' he had also established the nucleus of the post-1949 Party in the tram company. He was, therefore, familiar with the workings of the company.¹⁰⁰ The company, he proclaimed, was a product of imperialist aggression and special privileges. In New China, he went on:

⁹⁴ SMA A59-1-1-124, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu Shanghai Shi Dianche Gongsi deng san danwei zhengyong gongzuo de yi ci zonghe baogao* [CCP Shanghai Public Utility Committee first comprehensive report regarding work of expropriating Shanghai Tram Company etc three work units], 3/12/52; SMA A59-1-1-126, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu Shanghai Shi Dianche Gongsi deng san danwei zhengyong gongzuo de er ci zonghe baogao* [CCP Shanghai Public Utility Committee second comprehensive report regarding work of expropriating Shanghai Tram Company etc three work units], 12/12/52; *The Shanghai News*, 'SMCC Orders Requisition of 4 British Firms Here,' 21/11/52.

⁹⁵ *The Shanghai News*, 'Shanghai People Support Requisition of 4 Firms,' 23/11/52.

⁹⁶ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan; Zhengyong Yingshang Shanghai Dianche Gongsi de juti fangan yu buzhuo* [Concrete plan and procedure for expropriation of the British Shanghai Tram Company].

⁹⁷ He et al., *Shanghai waishi sishi nian*, pp. 14-15.

⁹⁸ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan; Zhengyong Yingshang Shanghai Dianche Gongsi de juti fangan yu buzhuo*.

⁹⁹ Gu Kaiji, 'Kangzhan shiqi Shanghai gongwei xitong zhi yuan Xin Si Jun qingkuang huiyi (gaolu)' [Record of Assistance Given to the New Fourth Army by the 'Industry Committee' in the time of the War of Resistance against Japan] in *Shanghai shi youzheng guanli ju* [Shanghai Municipal Post Administration Bureau], *Huadong zhanshi jiaotong tongxin shiliao huibian, Shanghai juan* [Collection of Materials on East China Transport and Communications in Wartime, Shanghai Volume] (Shanghai: Renmin Youdian Chubanshe [People's Post and Telecommunications Publishing House], 1999), pp. 435-8.

¹⁰⁰ *Shanghai Yingdian Gongren Yundongshi*, p. 296

we cannot allow this transportation enterprise which is so important to the national livelihood to continue as a monopoly, we have to expropriate it and take it over so that it can be managed by the Chinese people themselves.¹⁰¹

In his speech, the wider struggle against imperialism was projected into the context of the British Tram Company's internal affairs. Since 1949 the workers had been the masters of the nation but, Gu argued, they had not yet been the masters of their own company. Now they should feel a 'sense of ownership' (*zhurenweng sixiang*, 主人翁思想):

This so-called 'takeover' is in fact a seizure by force of the British capitalists' right to manage and lead, taking it for us all to manage, it is not that I will take over and everyone else will be taken over, in a sentence, this is in reality a workers' takeover.¹⁰²

Gu was keen to stress the importance of not allowing the change in the company's ownership to affect production: stability and unity amongst the staff were crucial.¹⁰³ In the first week after the takeover, the new owners moved quickly to consolidate their positions and to understand the internal workings of the company.

¹⁰¹ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan; Zhengyong Yingshang Dianche Gongsi Jun Daibiao Gu Kaiji Tongzhi zai qunzhong dahui shang de baogao tigang* [Outline of report given by Military Representative Comrade Gu Kaiji at mass meeting on expropriation of British Shanghai Tram Company], 20/11/52; 'we can not allow this...' (*zhe yang youguan guoji minsheng de jiaotong qiye, women bu neng yunxu ta changqi de jixu longduan xiaqu, bixu yao jiayi zhengyong jieguan, you women Zhongguo Renmin ziji jingying banli*, 这样有关国计民生的交通企业, 我们不能允许他长期的继续垄断下去, 必须要加以征用接管, 有我们中国人民自己经营办理).

¹⁰² Ibid. 'This so called 'takeover'...' (*suowei jieguan, jiu shi boduo le Yingguo zifang de guanliquan lingdaoquan, na lai you women dajia guan, bing bu shi wo lai jieguan, dajia bei jieguan, yi juhua, shiji shang shi gongren jieguan*, 所谓接管, 就是剥夺了英国资方的管理权领导权, 拿来有我们大家管, 并不是我来接管, 大家被接管, 一句话, 实际上就是工人接管).

¹⁰³ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan; Zhengyong Yingshang Dianche Gongsi Jun Daibiao Gu Kaiji Tongzhi zai qunzhong dahui shang de baogao*.

Figure 14: Offices of the British Tram Company



The future of foreign employees was to be dealt with in the second week after the takeover. The majority of foreign managers and those employed on 'home' contracts had already signalled their desire to leave China, and permission would soon be granted. Locally-recruited foreign staff (mostly White Russians, Eurasians and working class Britons) would be permitted to stay on at the company if they accepted the same wages as their Chinese counterparts. If not, they would be given travel money to allow them to go to Hong Kong and be pensioned off using the company's overseas reserves.¹⁰⁴ The home staff, who had been engaged in Britain or elsewhere on relatively high wages, were dismissed on the 12th December and told to leave Shanghai as soon as possible. On being interviewed by British intelligence agents in Hong Kong, Pollock said that he had been made to dismiss half of the

¹⁰⁴ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan*; *Zhengyong Yingshang Shanghai Dianche Gongsi de juti fangan yu buzhuo*; SMA A59-1-1-126, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu Shanghai Shi Dianche Gongsi deng san danwei zhengyong gongzuo de er ci zonghe baogao*, 12/12/52.

company's conductors before the takeover so that the Chinese could avoid the 'odium' of having to sack them themselves. He also reported that the takeover had not really been welcomed by the staff as the British had always paid 'rather high wages.'¹⁰⁵

Figure 15: Shanghai Tramway Company workers convert a tram to celebrate 'Liberation'

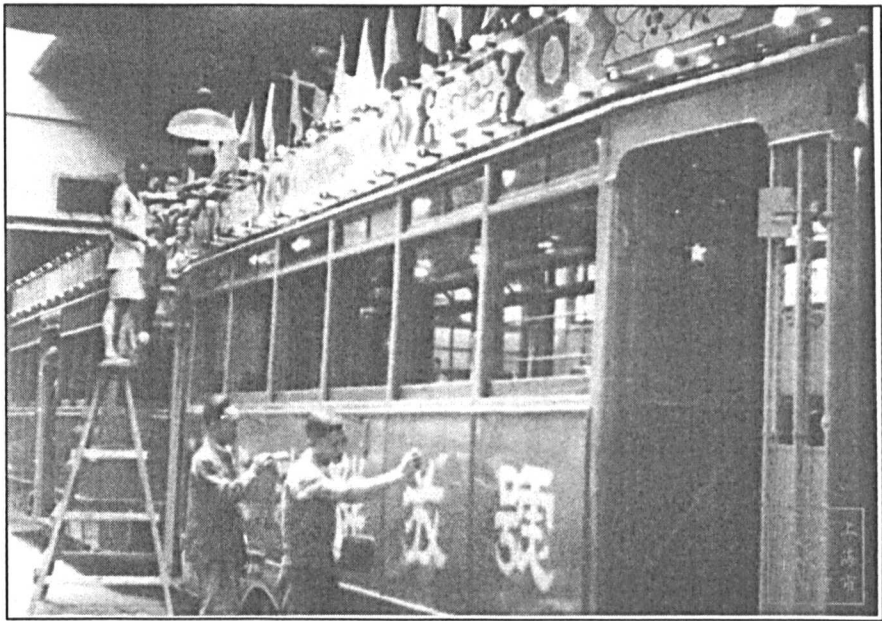
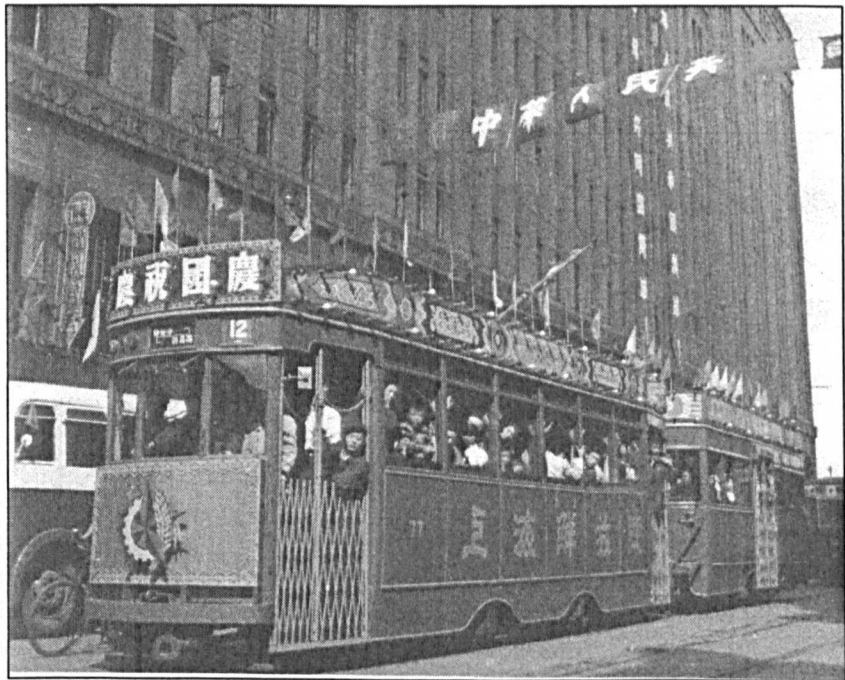


Figure 16: 'Liberation' tram on Nanjing Road



¹⁰⁵ NARA RG59, Box 4204, 793.00/8-1952; Transmission of copies of reports of British interrogations of British subjects recently arrived from Communist China, 2/3/53.

Early reports suggest that many of the Chinese workers were caught by surprise by the takeover. Many workers, cadres reported, had a longstanding dislike of imperialism, but they also feared change. One was reported as saying, 'in my heart I am happy, but in my mind I still have worries' (*xinli shi kaixin, naozi haiyou yixie guji*, 心理是开心, 脑子里还有一些顾虑). The idea that they were now the 'owners' of the company worried them, it was reported, because when the company had struggled, the foreign capitalists had borne responsibility. Now, the workers were in charge.¹⁰⁶ In other companies CCP cadres reported that the workers had a long list of worries, including fear of wage reductions, unemployment, being reallocated to other factories, strengthened labour discipline and intense propaganda study. The CCP planned to be conciliatory at first before laying the groundwork for significant changes to come. They paid annual bonuses as usual when companies were first taken over, to avoid resistance, but cancelled them later.¹⁰⁷

Other workers in the paint company expressed concerns based more on their own livelihoods and futures. Higher-level administrators feared a reduction in their wages and had the feeling that 'office workers who were disliked should scram' (*kan bu guan de zhiyuan yinggai gundan*, 看不惯的职员应该滚蛋) before they were made the targets of 'struggle.'¹⁰⁸ It seems that younger workers were generally more enthusiastic about the takeover. Older workers harboured concerns over whether they would get their customary annual bonus and whether their warm woollen coats would be replaced with the thin cotton coats worn by the workers of the state-run public transport companies. These sorts of concerns were addressed through small group meetings called *zuotanhui* (座谈会), which means literally 'sitting and talking meetings.' Each individual was encouraged to talk about their thoughts and past actions. 'Backwards' individuals (*luohou fenzi*, 落后分子) were isolated and held up as bad examples.¹⁰⁹ Various propaganda media were employed to convey the all important messages

¹⁰⁶ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan; Di yi jieduan gongzuo xiaogao* [Brief report on the first period], (undated).

¹⁰⁷ SMA A56-2-52-35, *Zhongyang Renmin Zhengfu Waijiaobu Shanghai Qu Qangwu Guanli Ju guanyu Taigu, gongsi heying ma tou, bochuan yunshu gongsi nianjiang chuli de qingshi* [Central People's Government Ministry of Foreign Affairs, Shanghai District Harbour Management Bureau, request for instructions regarding dealing with yearly bonuses in Swires, state-private docks and lighter haulage companies], 30/11/54.

¹⁰⁸ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan; Di yi jieduan gongzuo xiaogao*.

¹⁰⁹ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan; Shanghai Shi Dianche Gongsi Dang Weihui, zhengyong gongzuo di yi jieduan xiaogao* [Shanghai Tram Company Party Committee, Brief report on the first period of expropriation work], 1952; *Shanghai Shi Dianche Gongsi Dang Weihui zhengyong jieguan*

of 'ownership,' stability and unity. These media included 'blackboard newspapers,' pamphlets, and radio broadcasts. Workers were to sign 'patriotic compacts' (*aiguo tiaoyue*, 爱国条约) to instil feelings of personal responsibility.¹¹⁰

The final stages of the takeover were to transform the external appearance of the company including the signs, uniforms and so on and to consolidate control.¹¹¹ As the company was of the highest strategic importance and it had already been under effective CCP control from 1949 onwards, there was less consolidation to be done than in smaller private enterprises where the CCP had not yet firmly established a presence (such as in the Orient Paint Company, discussed below).¹¹² The CCP cadres began their propaganda offensive by emphasising the gains their activists had already made since 1949, such as the introduction of a welfare system, a canteen and an after-hours school.¹¹³ The majority of political campaigns had already been carried out in the company, just as they had in state-run enterprises.¹¹⁴ They felt confident enough here to discuss the Communist future, a theme that was avoided in takeovers of enterprises where the Party was weakly represented. Workers in the Soviet Union, it was said, had sofas in their homes and ate meat every day. This kind of life was out

gongzuo zonggao [CCP Shanghai Tram Company Party Committee summary of expropriation take over work], 20/11/52-20/12/52; SMA A59-1-1-126, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu Shanghai Shi Dianche Gongsi deng san danwei zhengyong gongzuo de er ci zonghe baogao*, 12/12/52.

¹¹⁰ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan*; *Zhonggong Shanghai Shi Dianche Gongsi Dang Weihui, xuanchuan cankao cailiao*, 1001 [CCP Shanghai Tram Company Party Committee, propaganda consultative materials, 1001], 26/11/52; *Zhonggong Shanghai Shi Dianche Gongsi Dang Weihui, xuanchuan cankao cailiao*, 1002 [CCP Shanghai Tram Company Party Committee, propaganda consultative materials, 1002], 10/12/52; *Zhonggong Shanghai Shi Dianche Gongsi Dang Weihui, xuanchuan cankao cailiao*, 1003 [CCP Shanghai Tram Company Party Committee, propaganda consultative materials, 1003], 12/12/52; *The Shanghai News*, 'Public Utilities Workers Sign Patriotic Compacts,' 3/4/51.

¹¹¹ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan*; *Zhengyong Yingshang Shanghai Dianche Gongsi de juti fangan yu*.

¹¹² SMA B261-2-273, *Zhonggong Shanghai Shi Dianche Gongsi Dang Zhibu (Yingdian) guanyu dang he gongzuo jihua* [CCP Shanghai Tram Company Party Branch (British Trams) regarding plan for Party work], June 1950; *Yingdian Zongzhibu wu yufen gongzuo zonghe* [British Tram Company Central Party Branch summary of work for May], June 1950; SMA A59-1-63, *Yingshang Shanghai Dianche Gongsi zhibu gongzuo zongjie* [British Shanghai Tram Company Branch summary of work], 1950; SMA A59-1-253-32, *Zhonggong Shanghai Shi Gongyong Shiye Dangwei Yingdian zhi Weiyuanhui kang Mei yuan Chao Yingdian chubu zongjie* [CCP Shanghai Public Utility Party Committee British Tram Company Committee preliminary summary], 22/2/51.

¹¹³ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan*; *Zhonggong Shanghai Shi Dianche Gongsi Dang Weihui, xuanchuan cankao cailiao*, 1001.

¹¹⁴ See for example SMA A59-1-258-10, *Zhonggong Shanghai Shiwei Gongyong Shiye weihui Yingdian Zongzhi Weiyuanhui guanyu jindu yundong buzhuo he zuzhi lilian de huibao* [CCP Shanghai Committee Public Utility Committee, British Tram Company Central Party Branch Committee report on procedure of anti-drug movement and organisational strength], 21/8/52; SMA A59-1-253-32, *Zhonggong Shanghai Shi Gongyong Shiye Dangwei Yingdian zhi Weiyuanhui kang Mei yuan Chao Yingdian chubu zongjie*.

of reach for the time being, the cadres cautioned, especially as the British had left behind them an old and decrepit company. A utopian vision was put forward, with cadres saying 'we want to establish a city on top of this heap of ruins' (*women jiu yao zai zheyang yi dui feixu shang jianli ge chengshi qilai*, 我们就要在这样一堆废墟上建立个城市起来).¹¹⁵

A year after the takeover of the public utility companies, the Party Committee at the Public Utility Bureau reported successes in three main areas: 'the work of reforming work on political lines' (*zhengzhixing gaige de gongzuo*, 政治性改革的工作), i.e. the politicisation of production; the enlargement, strengthening and rectification of the Party apparatus in the companies; and the improvement of production. There were significant changes in the way production and management were carried out. These changes were not however as thoroughgoing as the CCP would have liked. The Committee also complained about the inability of cadres to carry out campaigns effectively, worker apathy and problems with production.¹¹⁶ While it seems that many workers were indeed happy to see the back of the British, their embrace of the new authorities was not unconditional; their chief concern was with the material consequences. Many of the CCP's measures, such as the cancellation of the workers' annual bonuses and pension schemes in favour of a comprehensive labour insurance based welfare scheme were not well received.¹¹⁷ The CCP cadres faced numerous problems in taking over the British Tram Company, problems that were typical of their experiences elsewhere. They approached these problems pragmatically, not through pushing for immediate change but through biding their time and ensuring a smooth transition.

¹¹⁵ SMA B261-1-65, *zhengyong Yingshang dianche gongsi de fangan*; *Zhonggong Shanghai Shi Dianche Gongsi Dang Weihui, xuanchuan cankao cailiao*.

¹¹⁶ SMA A59-1-1-129, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu 1952 nian yi nian lai gongyong shiye gongzuo de chubu zongjie baogao* [CCP Shanghai Public Utilities Committee summary report on work in public utilities over the past year in 1952], 6/1/53..

¹¹⁷ SMA A59-1-47-5, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu quxiao nianjiang tui xiang qunzhong hou qingkuang huibao* [CCP Shanghai Public Utilities Committee report on situation following cancellation of yearly bonuses being announced to workers], 28/12/53; SMA A59-1-47-12, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu quxiao nianjiang shidang zhaogu zhigong de qingshi baogao* [CCP Shanghai Public Utilities Committee report requesting instructions on cancelling of annual bonuses and appropriately looking after workers], 19/12/53; SMA A59-1-42, *Zhonggong Shanghai Shi Gongyong Shiye Weiyuanhui guanyu liu da waishang qiye tuizhijin, jianxin wenti baogao ji youguan cailiao* [CCP Shanghai Public Utilities Committee reports and related materials on problem of pensions and wage reductions], May 1950- December 1953.

The first steps towards the closure of Butterfield & Swire's interests in China

The majority of firms found that permission was soon granted when they applied to close their branches in the 'outports' outside Shanghai. Many of these closures took place in the shape of assets for liabilities transfers induced by vicious 'squeezing.' The CCP seemed to be keen to concentrate the remaining British businesses in Shanghai.¹¹⁸ The chairman of the Hong Kong British Chamber of Commerce informed the British Government that:

there appeared to be concerted action all over China except in Shanghai in the method in which obstacles were placed in the way of or withdrawn from European firms closing down. A particular set of circumstances might arise for example in Tientsin and then within about two weeks exactly similar circumstances would arise in Canton.¹¹⁹

The 'squeeze' being applied to their subsidiaries in Shanghai made Butterfield & Swire realise that they were not going to be able to retreat from China through piecemeal retrenchment. On the 24th September 1951, they sent a memorandum to the Shanghai Bureau of Industry and Commerce making clear their situation. The memorandum said that in the 25 months that had followed 'Liberation' up until the 30th June 1951, some £900,000 had been remitted into Shanghai to sustain the company's interests. Redundant labour was the principal cost. They pointed out their attempts at economies, such as reducing the home-contract European staff from 38 in 1949 to three in 1951, but their overheads had remained crippling. They requested that all of their interests be allowed to make substantial retrenchments and to sell properties. Only by taking such steps, they argued, could Swire carry on in China, to the benefit of the Chinese. 'This appeal,' Swire later noted, 'fell on completely stony ground.' After Lamb's note in May 1952 and Zhang's reply in July, Swire wrote to the Shanghai FAD requesting permission to close several of their subsidiaries including Holt's Wharf, the Orient Paint Colour & Varnish Company, the Taikoo Sugar Refining Company and Swire &

¹¹⁸ TNA FO 676/503, Foreign Business Interests in China (British); Behr & Mathew (Shanghai), 1954; L.E. Schusterovitz, S. Behr and Mathew Ltd. to C.T. Crowe, Under Secretary of State, 17/5/54; TNA FO 371/108083, Closure of British firms in China; detention of British businessmen; direct approaches by British firms to the Central Government of China, 1953 (part 2, pp 60-104); John Keswick, Hong Kong to Aldington, Political Advisor, Hong Kong, 24/7/53.

¹¹⁹ TNA FO 371/108083, Closure of British firms in China; detention of British businessmen; minutes of meeting of the China Affairs Committee of the Hong Kong British Chamber of Commerce, 14/8/53.

Maclaine Ltd. 'Despite constant prodding,' they recalled, 'nothing happened.'¹²⁰ Many other firms also tendered closure applications at this time.¹²¹

The Liverpool-based owners of Holt's Wharf (for whom Swire were the Shanghai agents) were becoming impatient with the situation. They were losing £100,000 a year. A fifth of their land and several warehouses had been occupied by the military without compensation, and all other space had been occupied at a very low rental rate by the Government Food Corporation. In November 1952, the owners asked Swire to endeavour to hand the wharf over to the Chinese in exchange for all of its liabilities. Their liabilities represented only a fifteenth of their assets. At the same time, they indicated that they would remit no more money in the following year. On the 13th December, the Shanghai FAD introduced Swire to an organisation that had expressed an interest in the wharf. This organisation was the Shanghai Wharf Company, a body specifically established to take it over. After troubled negotiations their assets were eventually handed over on the 2nd February 1953.¹²²

Yao Kang and the closure of Butterfield & Swire's Insurance Department

Negotiations on the transfer or closure of foreign firms could be extremely difficult. A young Shanghainese man named Yao Kang (姚刚) was in charge of the closure of Swire's Shanghai Insurance Department; his experience of this period provides a insight into the processes involved in such negotiations.¹²³ Yao had graduated from the prestigious Yenching University in Beijing before joining Swire in 1948. He was sent to work in Britain in 1949 and rose rapidly in the estimation of the company's directors. In 1951 he returned to Shanghai to become the head of the insurance department.¹²⁴ A Chinese person being given this kind of appointment, he later recalled, was completely unprecedented. He was young (26) and enthusiastic and in his own words he 'totally ignored the risk, as a Chinese, of being detained for the rest of your life.' Though he had trouble finding his way around as many

¹²⁰ JSSCA CHINA CL6, Withdrawal from China, pp. 44-5.

¹²¹ See Shao, *China, Britain*, p. 134, see p. 220, n.62 for a full list of all those that applied to close at this time.

¹²² JSSCA CHINA CL6, Withdrawal from China, pp. 46-7; TNA FO 371/108082, Closure of GB Firms in China, 1952; A. Veitch, Shanghai to Foreign Office, No. 7, 22/1/53; Veitch, Shanghai, No. 17, 4/2/53.

¹²³ Under the modern Pinyin system this name would be rendered 'Yao Gang.'

¹²⁴ 'Yao Kang on Retirement,' *Swire News*, April 1998.

street names had changed, he found his home town had not changed too much, 'only psychologically.'¹²⁵ Soon after his arrival Yao quickly came to understand that:

under the communist system then, there was no future, whether you were a foreign or Chinese capitalist. Business couldn't survive. So my recommendation – not that I'm scared of staying in China – was to pull out, the sooner the better, otherwise they can bleed us.¹²⁶

Foreign insurance companies in Shanghai had long been struggling because inflation had meant that policies taken out in local currency soon lost their value. Yao advised that the Insurance Department be closed as soon as possible: 'remain friendly but no more business, we don't want to do business, we want to get out.'¹²⁷

Closure negotiations were long and arduous processes for all firms, but Yao found that 'being a local, dealing with the local officials was more efficient, faster.' His counterparts at the East China Finance Bureau were relatively uneducated cadres from Shandong, but:

they respected me, I was able to discuss with them, and take charge over them. I had to be very firm and brave to deal with them ... I was very forceful ... Particularly during the Korean War, they tried to be impolite. I said, 'look, you are serving the people, so am I.' There was an embargo during the Korean War, there were shipments of rubber coming in for tyres, and I said 'if something happens, who pays for the loss?'¹²⁸

Yao's negotiation technique was to never place himself in a position of opposition, saying 'look, comrade, try to be calm, try to be polite, because I am trying to be polite, you and I are both serving the people.' 'Luckily' he added 'I was a Chinese. I can sympathise because if I were British, I could not use this tactic.' After nearly a year of negotiations Swire were able to close down their Insurance Department in December 1952. Once the department was closed, the final step was to pay off its sixteen clerks. The clerks had already had no work to do for an entire year. By April 1953, Swires had finally managed to hold the compulsory 'direct negotiations' with their union and could now appeal to the Labour Bureau for mediation. Their appeals went unanswered until they stopped the clerks' pay for a month-and-a-half. The Bureau then began the mediation process. Swire again found it necessary to

¹²⁵ Interview by author with Yao Kang, former Director of Butterfield and Swire, 14/7/09.

¹²⁶ 'Yao Kang on Retirement,' *Swire News*, April 1998.

¹²⁷ Interview by author with Yao Kang, 14/7/09.

¹²⁸ *Ibid.*

default on wages to be allowed to progress on to the third stage, which was arbitration. The clerks were finally paid off in June 1954, eighteen months after the process began and two-and-a-half years since they had done any work.¹²⁹

Having had success in his own negotiations, Yao was lent out to other Swire subsidiaries; 'I just charged in and set up stall so we could settle things quickly and easily.' The political climate had dispelled Yao's initial optimism at the thought of a stable China: 'once you arrived in China and went through this for a few months you knew we were born in the wrong class, wrong background, and our class would be condemned.' Every day after Yao left the office at five, the Public Security Bureau would search his waste paper basket. When he had guests for dinner, the servants would be asked who they were, how long they stayed and what was discussed: 'privacy', he said, 'was totally gone.' As many of the Chinese staff were undergoing intense political education and were encouraged to report all contacts with foreign staff, they began to distance themselves in order to avoid trouble. Nevertheless, in Yao's opinion the 'British did not suffer that much' compared to Chinese capitalists. They 'suffered by having to pay a little more money, but we all managed to get out.'¹³⁰ Yao went on to work for Swire in Hong Kong.

The takeover of the Orient Paint Company

Following the transfer of Holt's Wharf, Swire's Shanghai office reported that there had been 'an unusual amount of interest in the Orient Paint, Colour & Varnish factory, and more than normal indoctrination of staff.' The factory had only just been paying its way for some time and appeals to be allowed to sell, lease or close the factory over the last two years had gone unanswered.¹³¹ Over 600,000 Hong Kong Dollars had been remitted into Shanghai to allow it to meet its ever-growing tax and labour liabilities. The last foreign staff member had departed in 1951, leaving the factory to be run by a Chinese manager 'under the eye' of Butterfield & Swire.¹³² In March 1953, the Chinese made their intent to take over the factory clear by presenting a huge bill for £6,000 of 'additional income tax.' At the same time, the factory's

¹²⁹ JSSCA CHINA CL6, Withdrawal from China, p. 10; TNA FO 676/497, Foreign business interest in China: Butterfield and Swires, 1954; D. Carey, B&S Shanghai to Veitch, Shanghai, 14/6/54.

¹³⁰ Interview by author with Yao Kang, 14/7/09.

¹³¹ JSSCA CHINA CL6, Withdrawal from China, pp. 47-9.

¹³² JSSCA CHINA CL6, Minutes of meetings of the Directors of the Orient Paint Colour & Varnish Company, February 1950, September 1950, July 1951, October 1952, September 1953, September 1954 (liquidation).

largest customers cancelled their standing monthly orders *en masse*. As they were not permitted to sell stocks of raw materials or raise loans to meet these demands, Swire had little option but to offer the factory up to the government in exchange for its liabilities.¹³³

The factory was located in Shanghai's industrial Yangshupu district. Having been built in 1934, it was modern and in good condition. It employed 21 office workers and 59 manual workers. Preliminary investigations found that in 1951 this factory was capable of producing 300 tonnes of paint a month. State enterprises had been charged with producing a total of 655 tonnes a month but were only managing 360 tonnes. It was clear that Orient could be a useful acquisition.¹³⁴ Prior to Swire's offer of a transfer of assets, the company's requests to be sold or leased had been referred to the East China Industrial Bureau. The Bureau had turned them down because, in their own words: 'a paint factory is much needed, but because we lack cadres, for a short while we are afraid this would be difficult to implement' (*youqi chang que shu xuyao, dan youyu quefa ganbu, yishi kong nan jinxing*, 油漆厂确属需要, 但由于缺乏干部, 一时恐难进行).¹³⁵ The CCP's awareness of their lack of resources and unpreparedness made them reluctant to take on new burdens.

In March 1953, the FAD again took Swire's transfer application to the Industrial Bureau. From internal correspondence we can see that Huang Hua of the FAD was pushing for a quick takeover of Orient.¹³⁶ The Bureau now had the resources to take over the factory.¹³⁷ A negotiator was introduced to Swire on the 4th June. He was introduced as the head of a private

¹³³ JSSCA CHINA CL6, Withdrawal from China, pp. 47-9.

¹³⁴ SMA B163-1-150-5, *Shanghai Shi Renmin Zhengfu Waishi Chu guanyu Shanghai Yongguang Youqi Gongsi chuzu de baogao*; *Yongguang Youqi Chang diaocha jingguo ji yijian* [Opinion following investigation into Orient Paint Factory]; SMA B163-1-150-102, *Yongguang Youqi Gufen Youxian Gongsi jianshi* [Brief History of the Orient Paint, Colour and Varnish Company Ltd.], 1952.

¹³⁵ SMA B163-1-150-5, *Shanghai Shi Renmin Zhengfu Waishi Chu guanyu Shanghai Yongguang Youqi Gongsi chuzu de baogao* [Shanghai People's Government Foreign Affairs Department report regarding rental of the Orient Paint Company], 16/5/52; Huang Hua, Shanghai Foreign Affairs Department, to East China Industrial Bureau, 16/5/52.

¹³⁶ SMA A48-1-60-4, *Zhonggong Shanghai Shi Weiyuanhui Zuzhi Bu guanyu Yingshang qiye zhuanrang he zuyong wenti de qingshi baogao* [CCP Shanghai Committee Organisation Bureau report requesting instructions on transfer or rental of British firms], 1/4/53.

¹³⁷ SMA B163-1-150-38, *Guanyu Yingshang Yongguang Youqi Gongsi zhuanrang wenti* [Regarding the transfer of the British Orient Paint Factory]; Shanghai FAD to Ministry of Foreign Affairs Beijing, 31/3/53; SMA B163-1-150-1, *Shanghai Shi Renmin Zhengfu Waishi Chu zhuanfa Waijiao Bu guanyu Shanghai Yingshang Yongguang Youqi Gongsi zhuanrang wenti de pifu* [Shanghai People's Government Foreign Affairs Department forwarding approval of Ministry of Foreign Affairs on question of transfer of Shanghai British Orient Paint Company], 29/4/53.

organisation, but, according to Swire, this camouflage soon broke down.¹³⁸ He purported to represent the Yimin Industrial Company (*Yimin Gongye Gongsì*, 益民工业公司), but he was in fact from the Shanghai Industrial Bureau.¹³⁹ The major problem that arose during the negotiations was that Orient owed Swire around £35,000, a liability the Chinese refused to accept.¹⁴⁰ In fact, the Chinese had decided not to accept this liability before negotiations even began.¹⁴¹ Pressure was put on the company through the union to conclude the deal quickly, and on the 18th July the management reported that:

Yesterday our salesmen were sent around the market instructing our customers not to buy anything from us in future, nor to pay up for what they have already bought. As you know we have right from the beginning been aware that negotiations might not be conducted fairly, but we never really anticipated anything quite so dirty.

‘Against such tactics’ Swire later recalled, ‘the Company was powerless, and bargaining was useless.’ The factory was transferred on the 29th July with the Chinese taking over £200,000-worth of property in exchange for £23,000-worth of liabilities. This did not include the debt to Swire.¹⁴² It was clear that the Chinese were in a position of strength: they could decide on the timing and manner of takeovers and even on which liabilities to accept. Swire later described this so-called ‘transfer’ as ‘little more than forcible confiscation.’¹⁴³

¹³⁸ JSSCA CHINA CL6, Withdrawal from China, pp. 47-9.

¹³⁹ SMA B163-1-150-11, *Shanghai Renmin Zhengfu Waishi Chu guanyu Yingshang Shanghai Yongguang Youqi Gongsì zhuanrang wenti de baogao* [Shanghai People’s Government Foreign Affairs Department report on question of transfer of the British Shanghai Orient Paint Company], 31/3/53; SMA B163-1-150-38, *Guanyu Yingshang Yongguang Youqi Gongsì zhuanrang wenti*; Shanghai FAD to Ministry of Foreign Affairs Beijing, 31/3/53; SMA B163-1-150-86, *Kailin Youqi Yanliao Gongye Gongsì guanyu jieguan Shanghai Youqi Chang chubu fangan* [Kailin Paint and Colour Industrial Company initial plan for taking over the Shanghai Paint Factory [Orient]], 31/3/53. In SMA B163-1-150-38 the takeover body is referred to as Yimin, but in SMA B163-1-150-86 it is recorded that the takeover would be in the name of the Kailin paint factory as this was a similar factory to Orient. It is possible that these two names refer to different parts of the same company. The takeover plan was formed by Kailin, and the leader of the takeover team was sent from Kailin.

¹⁴⁰ JSSCA CHINA CL6, Withdrawal from China, pp. 47-9.

¹⁴¹ SMA B163-1-150-38, *Guanyu Yingshang Yongguang Youqi Gongsì zhuanrang*; Shanghai FAD to Ministry of Foreign Affairs Beijing, 31/3/53.

¹⁴² JSSCA CHINA CL6, Withdrawal from China, pp. 47-9; JSSCA CHINACL3-112A, Orient Paint Colour & Varnish Company Transfer Agreement, 16/10/53.

¹⁴³ JSSCA CHINA CL6, English translation of Deed of Transfer of Orient Paint, Colour & Varnish Company, 11/8/54.

Figure 17: Orient Paint, Colour and Varnish Co. Ltd. labels

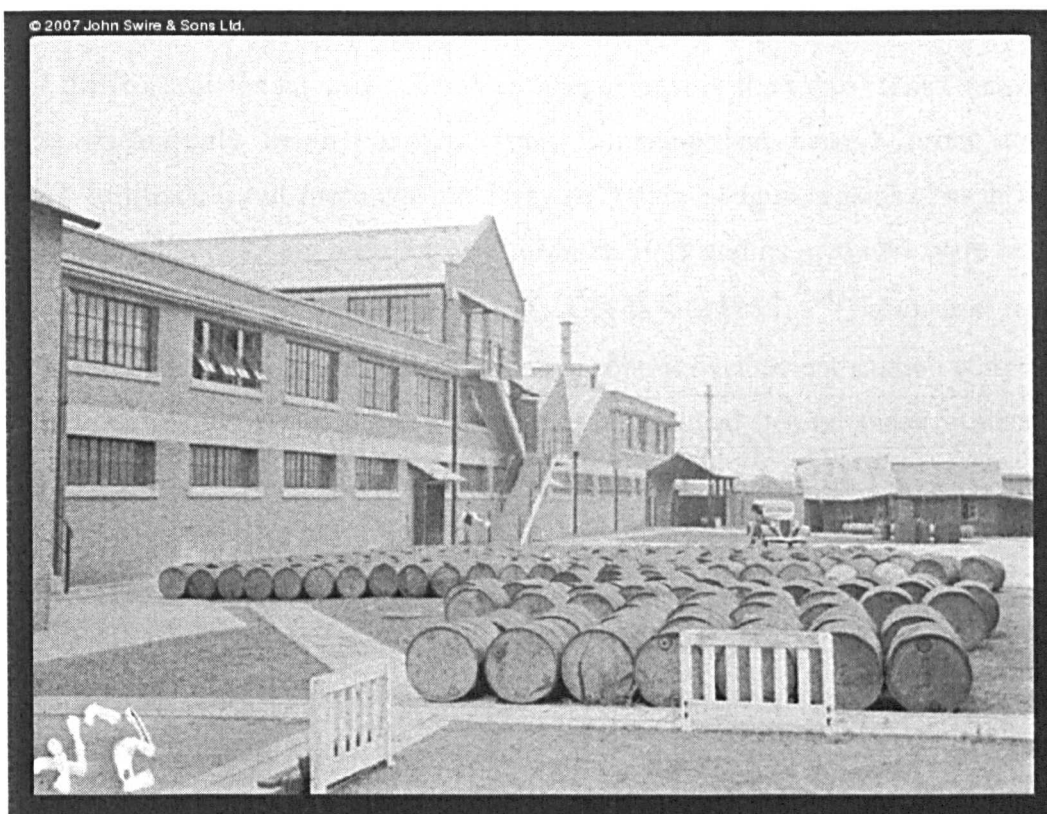


The Chinese were not just taking over the factory: they were also taking over its workforce. This made the question of how the takeover was carried out on the ground extremely important. How would the CCP cadres be received by the workers, and how would they set about transforming the company? Was this the moment of anti-imperialist triumph that CCP reports later presented it to be?

The instructions given to the takeover team, which were typical of instructions given to cadres taking over all private firms at that time, were to ‘mobilise the masses, educate the masses, raise their political consciousness, rely on the masses, [and] take over smoothly’ (*fadong qunzhong, jiaoyu qunzhong, tigao qi zhengzhi shuiping, yikao qunzhong, shunli de jieguan xia lai*, 发动群众, 教育群众, 提高其政治水平, 依靠群众, 顺利的接管下来). On the day before the takeover the work group (*gongzuo zu*, 工作组) reported on the state of ‘mass work’ (*qunzhong gongzuo*, 群众工作) to date in the factory. The workers, they reported, had ‘undergone relatively deep suffering’ (*qunzhong shou de tongku bijiao shen*, 群众受的痛苦比较深) under the ‘oppression’ (*yapo*, 压迫) of the imperialists. As such, they

continued, they already ‘possessed a degree of class consciousness’ (*you yiding de jieji juewu*, 有一定的阶级觉悟).¹⁴⁴

Figure 18: Orient Paint, Colour & Varnish Co. Ltd. factory



Nevertheless, this was ‘imperialism’s factory’ (*diguozhuyi de chang*, 帝国主义的厂) and nationwide and citywide political campaigns had ‘been restricted or blocked’ (*shoudao xie xianzhi he zu’ai*, 受到些限制和阻碍). The workers and management were therefore still ‘relatively conservative’ (*bijiao baoshou*, 比较保守) and had ‘not taken well to the new order of things’ (*jieshou xin shiwu bijiao cha*, 接受新事物比较差).¹⁴⁵ Some, it was reported, welcomed the takeover, fearing that otherwise the factory may have had to close. Others, it

¹⁴⁴ SMA B163-1-150-78, *Shanghai Yongguang Youqi Chang gongzuo zu gongzuo baogao* [Shanghai Orient Paint Factory work team work report], by Li Hongzhi (李洪志), 17/6/53; SMA B163-1-150-63, *Shanghai Shi Renmin Zhengfu Gongye Ju guanyu Shanghai Yongguang Youqi Chang zuzhi jigou de yijian* [Shanghai People’s Government Industry Bureau opinion regarding organisation and structure of Shanghai Orient Paint Factory], 29/8/53.

¹⁴⁵ SMA B163-1-150-17, *Shanghai Yongguang Youqi Chang guanyu jieguan gongzuo juti jihua* [Specific report on takeover work for Shanghai Orient Paint Factory], 28/7/53; *qunzhong gongzuo juti jihua* [Specific report on mass work].

seemed, were ambivalent and thought it was all the same as long as they were paid. Some, cadres noted, feared the consequences of the takeover and were 'afraid to talk about political questions' (*tamen pa tan zhengzhi wenti*, 他们怕谈政治问题).¹⁴⁶

The takeover of Orient Paint bore many similarities to the takeover of the British Tram Company. Stability was emphasised over revolutionary change in both. There were also important differences: Orient was a much smaller company than the Tram Company, and much less strategically important. The Tram Company had been a prime target for Communist infiltration, but there was no Party or Youth League organisation in the paint factory.¹⁴⁷ The union had only been formed in March 1949 and its members were considered to be 'quite weak' (*gonghui weiyuan jiao ruo*, 工会委员会较弱).¹⁴⁸ The district leadership and higher-level unions had not exercised effective control over Orient's union with the result that the political education of the workers there had lagged behind those in state-owned enterprises.¹⁴⁹

Within Orient, the situation was less than ideal in other ways too. Younger people tended to be more enthusiastic about takeovers, but the Orient workers were an older and more conservative group (only 6.5 per cent were under 25). Several workers had been members of 'reactionary' political and social organisations such as the Guomindang, or of the factory union under the Japanese. They came under immediate suspicion.¹⁵⁰ The workers were also deeply divided along native-place ties, with the Shandong, Anhui and Shanghai workers forming distinct factions.¹⁵¹ This division was reflected amongst the union members.

¹⁴⁶ SMA B163-1-150-78, *Shanghai Yongguang Youqi Chang gongzuo zu gongzuo baogao*.

¹⁴⁷ SMA B163-1-150-107, *Shanghai Yongguang Youqi Chang gongzuo zu guanyu jieguan zhunbei gongzuo jihua* [Shanghai Orient Paint Factory work team plan for takeover preparation work], 16/7/53.

¹⁴⁸ SMA Q38-20-15, *Yongguang Youhua Gufen Youxian Gongsì waiwen wenjian* [Orient Paint Company Ltd., foreign language materials]; Record of Inaugural Union Meeting, 12/3/49; SMA B163-1-150-17, *Shanghai Yongguang Youqi Chang guanyu jieguan gongzuo juti jihua*; *qunzhong gongzuo juti jihua*.

¹⁴⁹ SMA B163-1-150-17, *Shanghai Yongguang Youqi Chang guanyu jieguan gongzuo juti jihua*; *qunzhong gongzuo juti jihua*.

¹⁵⁰ SMA B163-1-150-107, *Shanghai Yongguang Youqi Chang Gongzuo zu guanyu jieguan zhunbei gongzuo jihua*.

¹⁵¹ SMA B163-1-150-17, *Shanghai Yongguang Youqi Chang guanyu jieguan gongzuo juti jihua*; *qunzhong gongzuo juti jihua*; SMA B163-1-150-78, *Shanghai Yongguang Youqi Chang gongzuo zu gongzuo baogao*.

Shandong and Anhui cadres aligned against those from Shanghai and this led to constant infighting.¹⁵²

The new authorities took control over the factory on the day that the final contract was signed.¹⁵³ The takeover team consisted of six cadres and was led by Li Hongzhi (李洪志) the head of the state-run Kailin (开林) paint factory. The other members were CCP cadres from other companies, who had experience of either industrial or political work.¹⁵⁴ That afternoon a meeting was called for the union committee, to which two or three 'old workers' (*lao gongren*, 老工人) and the manager Yao Jialang (姚家琅) were invited.¹⁵⁵ Yao's specialised knowledge was seen as crucial to the continued operation of the factory.¹⁵⁶ The point of this meeting was to co-opt these senior workers and to unite them behind the themes of stability, unity and maintaining production. A new sense of collective ownership was instilled, with the workers being told that 'the factory is now already ours' (*xianzai yi chengwei women ziji de chang le*, 现在已成为我们自己的厂了).¹⁵⁷

The next day, a 'welcome meeting' (*huanying dahui*, 欢迎大会) was held. The whole workforce was asked to attend and to listen to speeches on the themes of coming together, maintaining production and preventing wrecking. Over the next week, these themes were repeatedly stressed in group meetings, which lasted for an hour after work every day. Interminable meetings were a distinctive feature of CCP rule. Their aim was to politicise daily life and to shape people into political beings. William Hinton recorded a popular rhyming joke that circulated in north China a few years before 'Liberation', which went; '*Guomindang shui duo, Gongchandang hui duo*' ('Under the Guomindang too many taxes, under the CCP too many meetings,' 国民税多, 共产党会多).¹⁵⁸ Small group discussions

¹⁵² SMA B163-1-150-17, *Shanghai Yongguang Youqi Chang guanyu jieguan gongzuo juti jihua; qunzhong gongzuo juti jihua*.

¹⁵³ SMA B163-1-150-17, *Shanghai Yongguang Youqi Chang guanyu jieguan gongzuo juti jihua; qunzhong gongzuo juti jihua*.

¹⁵⁴ SMA B163-1-150-78, *Shanghai Yongguang Youqi Chang Gongzuo zu gongzuo*.

¹⁵⁵ SMA B163-1-150-17, *Shanghai Yongguang Youqi Chang guanyu jieguan gongzuo juti jihua; qunzhong gongzuo juti jihua*; SMA B163-1-150-86, *Kailin Youqi Yanliao Gongye Gongsu guanyu jieguan Shanghai Youqi Chang chubu fangan*.

¹⁵⁶ SMA B163-1-150-107, *Shanghai Yongguang Youqi Chang Gongzuo zu guanyu jieguan zhunbei gongzuo jihua*.

¹⁵⁷ SMA B163-1-150-17, *Shanghai Yongguang Youqi Chang guanyu jieguan gongzuo juti jihua; qunzhong gongzuo juti jihua*.

¹⁵⁸ Hinton, *Fanshen*, p. 261.

were seen to be the most effective way of transforming the workers' thinking. The workers were also encouraged to talk about their personal 'sufferings of the past' (*guoqu de tongku*, 过去的痛苦). They wanted to get the workers talking and thinking, to 'begin to draw the lines of class division' (*chubu huaqing jieji jiexian*, 初步划清阶级界线) and to make them realise that, for them, this was 'finally true liberation' (*cai suan chedi jiefang*, 才算彻底解放).¹⁵⁹

Production meetings were held in order to answer questions, such as 'how can we finally carry out our own production well?' (*zenme cai neng gaohao ziji de shengchan*, 怎么才能搞好自己的生产?) and 'which problems has imperialism left for us?' (*diguozhuyi gei women liuxia shenme kunnan*, 帝国主义给我们留下些什么困难?). Workers were encouraged to relate personal accounts of 'oppression by the foreign devils' (*yangguizi de boxue*, 洋鬼子的剥削) and to emulate model workers.¹⁶⁰

The takeover group identified their three main tasks for the next few weeks as follows: 'calming the mood' of the masses (*wending qingxu*, 稳定情绪); maintaining production; and ensuring a smooth and stable takeover.¹⁶¹ They stressed the importance of 'uniting with and educating' all of the workers, especially the 'backwards [workers] and the most important members of the [native place] factions' (*luohou ji ge bangpai de shouyao fenzi*, 落后及各帮派的首要分子).¹⁶² At this early stage, very little was mentioned of the long-term changes to come, or of communist ideology.¹⁶³ Cadres were warned that even anti-British slogans were

¹⁵⁹ SMA B163-1-150-17, *Shanghai Yongguang Youqi Chang guanyu jieguan gongzuo juti jihua; qunzhong gongzuo juti jihua*.

¹⁶⁰ SMA B163-1-150-63, *Shanghai Shi Renmin Zhengfu Gongye Ju guanyu Shanghai Yongguang Youqi Chang zuzhi jigou de yijian*.

¹⁶¹ SMA B163-1-150-17, *Shanghai Yongguang Youqi Chang guanyu jieguan gongzuo juti jihua; qunzhong gongzuo juti jihua*; SMA B163-1-150-98, *Kailin Youqi Yanliao Gongye Gongsu guanyu zhengyong Shanghai Yongguang Youqi Chang Wenti, jiehe ben chang juti qingkuang de chubu yijian* [Kailin Paint and Colour Company initial report on question of expropriating Shanghai Orient Paint Factory providing initial opinion on concrete situation of integrating this factory], 1953; SMA B163-1-150-63, *Shanghai Shi Renmin Zhengfu Gongye Ju guanyu Shanghai Yongguang Youqi Chang zuzhi jigou de yijian*.

¹⁶² SMA B163-1-150-78, *Shanghai Yongguang Youqi Chang gongzuo zu gongzuo baogao*.

¹⁶³ SMA B163-1-150-17, *Shanghai Yongguang Youqi Chang guanyu jieguan gongzuo juti jihua; qunzhong gongzuo juti jihua*.

largely to be avoided in propaganda education at this stage (*xuanchuan jiaoyu shi fangzhi 'fan Ying kouhao,'* 宣传教育时防止‘反英口号’).¹⁶⁴

The takeover of Jardine Matheson's EWO Brewery followed a remarkably similar process. The most difficult thing about taking over this company, it was reported, was ensuring that the cadres understood the technical processes behind brewing to avoid disrupting production. High-level Chinese staff would be encouraged to stay on to ensure stability. Foreign staff could stay or go as they pleased, but if they stayed it would be on the same rate as their Chinese counterparts. As in Orient, a series of large meetings were held, followed by daily informal meetings in small groups (*pengtou hui*, 碰头会 ‘bump-head’ meetings’ and *zuotanhui*). The Brewery was a larger and more politically significant enterprise than Orient. Some 70 per cent of all the 229 workers had been involved in ‘reactionary organisations,’ but the factory had also been much more thoroughly infiltrated by the CCP, who had been secretly leading strikes there since 1946. By the time of the takeover in 1953, a member of the underground CCP had already become the head of the company's very militant union. Despite strong rhetoric that included descriptions of the takeover as ‘real and concrete struggle against the imperialists, and class struggle’ (*shi shiji de juti de fan di douzheng he jieji douzheng*, 是实际的具体的反帝斗争和阶级斗争), the takeover team's emphasis was again on stability, a sense of collective responsibility and the need to maintain production.¹⁶⁵ Three months after the takeover, wages were cut and working hours lengthened.¹⁶⁶

The CCP used various methods to consolidate their control. On the 18th June 1952, a ‘transfer’ of assets was completed from the Lever Brothers subsidiary the China Soap Company, to the

¹⁶⁴ SMA B163-1-150-86, *Kailin Youqi Yanliao Gongye Gongsì guanyu jieguan Shanghai Youqi Chang chubu fangan*.

¹⁶⁵ SMA B163-1-58-45, *Difang guoying Shanghai Huaguang Pijiu Chang guanyu jieguan Yihe Pijiu Chang gongzuo jihua* [Local state-owned Shanghai Huaguang Brewery work plan for taking over EWO Brewery], 12/11/53; SMA B163-1-58-38, *Huadong Gongye Bu Yimin Gongye Gongsì, Shanghai Youzhi Gongye Lianhe zong guanli chu yu ni jieguan Yingshang Yihe Pijiu Gongsì de zonghe baogao* [East China Industrial Bureau Yimin Industrial Company Shanghai Fats Industry United Management Department consolidated report on plan to take over EWO Brewery], 3/2/53; SMA A51-1-16-54, *Zhonggong Shanghai Qing Gongye Weiyuanhui Difang Gongye Weiyuanhui guanyu jieguan Yihe Pijiu Chang gongzuo de zongjie baogao* [CCP Shanghai Light Industry Committee, Local Industry Committee summary report regarding work of taking over EWO Brewery], 1953.

¹⁶⁶ NARA RG59, Box 4209, 793.00/10-654, American Consul General Hong Kong to State Department, Washington, Conditions in Shanghai described by Mr. A. Veitch, British Acting Consul General, 6/10/54.

Shanghai Yimin Industrial Company.¹⁶⁷ China Soap had been in severe financial difficulties, and were one of the first firms to follow the 'Yee Tsoong model.'¹⁶⁸ Among the Chinese negotiators was a young Jiang Zemin (江泽民), who later went on to be President of the PRC from 1993 to 2003.¹⁶⁹ After they took over the company, the Chinese authorities tried to instil feelings of responsibility and 'ownership' amongst the workers. One way in which they did this was through a campaign for safety and hygiene awareness. The imperialists had placed machines over men and production over human life, they said. Now, the workers were responsible for both safety and production. They were encouraged to discuss and solve health and safety problems themselves.¹⁷⁰ As in Orient and the British Tram Company, the old management and systems were denigrated, but the status quo was maintained. The company's unequal wage system had been devised, the CCP cadres claimed, by the 'imperialists' to 'cause division amongst the workers' (*fenhua zhigong tuanjie*, 分化职工团结). Low basic wages were supplemented by a variety of bonuses depending on skill-levels and seniority. The old system was retained out of necessity (due to a lack of resources) until 1954, when it was replaced by a new and more equitable system.¹⁷¹

Reports from cadres in Orient Paint in 1954 demonstrate that, when the new owners felt more firmly in control, their rhetoric became more radical. Yao Jialang, the Chinese manager, was no longer seen as a useful ally but instead was criticised as a 'running dog' of the British imperialists. He apparently had a 'grave case of pro-foreign worship, especially pro-British' (*yanzhong de chong wai gainian, tebie shi chong Ying*, 严重的崇外概念, 特别是崇英). Orient's past successes were no longer ascribed to its modern production techniques, but to its 'connections with British imperialism' (*he Yingdi you yixie guanxi*, 和英帝有些关系).

¹⁶⁷ MFA 118-00014-05, *Guanyu Shanghai de Yingguo shangren dui cheli de fanying ji wo Shanghai Waishi Chu de fanfa yu yijian* [Shanghai Foreign Affairs Department viewpoint and opinion on reaction of British businessmen to withdrawal], 26/5/51-28/6/52; Zhou *et al*, *Shanghai waishi zhi*, p. 317.

¹⁶⁸ Shao, *China, Britain*, p. 135.

¹⁶⁹ Qingnian Jiang Zemin zai Shanghai bianxie Weiyuanhui [Young Jiang Zemin in Shanghai Compilation Committee], *Richu Jiang Hua - qingnian Jiang Zemin zai Shanghai* [Flame of Ambition: Young Jiang Zemin in Shanghai] (Shanghai: Shanghai Renmin Chubanshe [Shanghai People's Publishing House], 2010).

¹⁷⁰ SMA A37-1-60-134, *Zhongguo Feizao Gongsu guanyu anquan weisheng da jiancha yundong de zongjie baogao* [China Soap Company summary report of safety and hygiene investigation campaign], 1952.

¹⁷¹ SMA A48-211-37, *Guoying Zhongguo Feizao Gongsu gongsu gaige fangan* [State Owned China Soap Company wage reform plan], 18/6/54.

High-level office workers, like Yao, were urged to recognise and repent their previous mistakes through a process of 'education,' criticism and self criticism.¹⁷²

Reports by ground-level cadres suggested that certain things had changed on Orient Paint's factory floor. Under the management of the British capitalist imperialists the workers had, it was said, only cared for themselves as individuals. Now they were working for themselves, in a factory run through democratic means. Not only did production reportedly increase, but tools were apparently better looked-after and spirits were reportedly higher. Historians need to be wary of buying into the rosy images of life after the takeover represented in CCP reports. Some information given in the reports does, however, suggest that there were at least improvements in certain material aspects of life in the factory. One example of this was that in the past workers had to either bring food from home and eat it cold or spend part of their wages buying food outside the gates. After the takeover, a canteen was established and fitted with fans to ensure that the workers had healthy food and a good environment to eat it in. Improved washing facilities were also provided.¹⁷³ Most Chinese industrial workers did in fact experience genuine improvements in their overall working conditions in the 1950s as they benefitted from increased job security, improved overall wages and labour insurance.¹⁷⁴

Foreign Office observers reluctantly agreed that, despite all the propaganda, it truly seemed that worker productivity in Shanghai was increasing under the Communist's strict disciplinary regime.¹⁷⁵ This was even the case in British businesses that had not yet been taken over. In December 1953 Liddell Brothers and Company told the British Government that the once-disruptive workforce in their factory had been brought into line by a Communist activist. When he had been temporarily reassigned the trouble had started again, but the workers had been brought back under control on his return. Lennox, the manager of Jardine Matheson, reported that the quality and production at the EWO Cotton Mill was now better

¹⁷² SMA B163-1-150-49, *Difang guoying Shanghai Youqi Chang gaikuang* [Summary of local state owned enterprise the Shanghai Paint Factory], 26/4/54.

¹⁷³ SMA B163-1-150-49, *Difang guoying Shanghai Youqi Chang*.

¹⁷⁴ Cliver, 'Minzhu Guanli,' p. 420; This improvement in conditions was noted by the British Acting Consul General A. Veitch: see NARA RG59, Box 4209, 793.00/10-654, American Consul General Hong Kong to State Department, Washington, Conditions in Shanghai described by Mr. A. Veitch, British Acting Consul General, 6/10/54.

¹⁷⁵ TNA FO 371/108084, Closure of British firms in China; detention of British businessmen; direct approaches by British firms to the Central Government of China, 1953 (part 3, pp 105 to end); Buxton's comments on Trevelyan, Beijing to W.D. Allen, Foreign Office, 2/12/53.

than it had ever been in the 'old days.' Similar results were evident at the EWO Brewery and Shanghai & Hongkew Wharf Company.¹⁷⁶

Other reports suggested, however, that all was not well in the factory. In the year after the takeover, avoidable accidents became increasingly frequent. The workers, the factory's Party Committee reported in December 1954, had rather disappointingly not taken on the responsibilities of socialism. They cared little about the quality of the paint: complaints had been received about fifteen of the sixteen brands. 'This is a huge blow to us politically,' they reported, 'it will make the imperialists laugh at us' (*zhe shi zai zhengzhi shang hen da de daji, geng hui shi diguozhuyi kan women de xiaohua*, 这是在政治上很大的打击, 更会使帝国主义看我们的笑话).¹⁷⁷ On a national level, the workers' lack of political awareness and lack of pride in production would be a major contributing factor, leading to the perceived need to further transform society along utopian lines from the late 1950s into the 1970s.

A 1966 report on Orient's history suggests that the legacy of the British imperialism endured as a propaganda theme in the company long after the takeover. The anti-imperialist rhetoric of the 1960s was much stronger than that of 1953. The report began by emphasising the hardships faced under the imperialists: workers, it said, had been bullied by Sikh doormen before going into the factory. They had not only been deprived of their political freedoms, but also of personal freedoms (*renshen meiyou ziyou*, 人身没有自由), such as being allowed to talk or smoke in the factory while working (this was perhaps understandable in a factory that produced flammable chemicals). 'The British cruelly oppressed the Chinese' (*Yingguoren canku de boxue Zhongguoren*, 英国人残酷的剥削中国人) the report concluded before going on to describe the joy with which the proud, militant workers received their liberators. Reports from 1953 suggested a rather more nuanced and less ideologically satisfying reality, in which the workers were apathetic, disorganised and distrustful of the CCP.¹⁷⁸

Conclusion

¹⁷⁶ TNA FO 371/108084, Closure of British firms in China; detention of British businessmen; direct approaches by British firms to the Central Government of China, 1953 (part 3, pp 105 to end); Trevelyan, Beijing to W.D. Allen, Foreign Office, 2/12/53.

¹⁷⁷ SMA A51-1-53-97, *Zhonggong Yongguang Youqi Chang zhibu weiyuanhui guanyu zhengzhi gongzuo de jiancha baogao* [CCP Orient Paint Factory branch committee investigative report on political work], 2/12/54.

¹⁷⁸ SMA Q38-20-1, *Shanghai Yongguang Huagongchang Changshi yangge qingkuang, 1935-53* [Historical Overview of Situation of Shanghai Orient Paint Factory 1935-1953], 21/5/66.

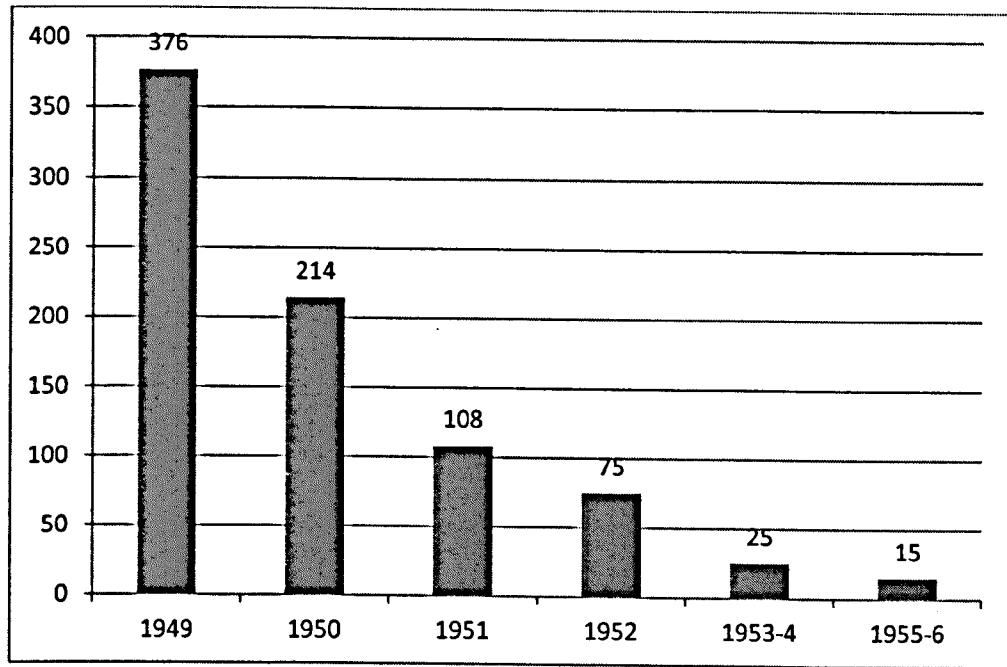
By the end of 1952, the Chinese Government had taken significant steps in getting rid of the remaining British business presence in Shanghai. These businesses were dealt with along the lines of policy established at the May meeting at the Ministry of Foreign Affairs. As with the Kailuan mines, they dealt with all firms individually and according to both the wider situation and their immediate needs. Guan Datong emphasised the importance of wider domestic considerations including tax revenue and unemployment over the quick elimination of foreign interests. Radicalism was restrained in favour of economic stability. Zhang's reply to the British demarche in which he said that British firms would be assisted to close was essentially a front designed to give the CCP the upper hand in determining the speed of closure negotiations. Conflicts between the British Government and British businesses, and between individual British businessmen, were exploited to play their interests off against each other. Smaller firms that were of no use to the Chinese were closed, or taken over sooner while the departure of others was delayed. Some particularly useful firms were encouraged to stay on through the awarding of contracts. The firms that remained after 1952 were either trading firms or manufacturing firms whose continued presence was deemed desirable by the Chinese. Among these were firms that had large liabilities that the Chinese were reluctant to take over, or those with large workforces the Chinese did not want to see made unemployed.

At the end of 1949, there were 376 British firms in Shanghai. Their numbers reduced drastically over the following years (as illustrated in the graph above). The most significant declines in their numbers came in the early period of the CCP takeover (1949-51), when many smaller concerns closed, and in 1952 when many of the larger firms finally gave up hope and the Chinese began to allow closures. By the end of 1952, a total of 236 British businesses had successfully closed or transferred their assets, representing 63 per cent of the total British capital in China.¹⁷⁹ By the end of 1952, the Chinese Government had taken control of what they saw as the most strategically important and previously most foreign dominated sectors of the Chinese economy; sectors which had a direct bearing on 'the people's livelihood.' These included mining, oil, public utilities and 'monopolistic' light industries (such as Yee Tsoong and the China Soap Company).¹⁸⁰

¹⁷⁹ Shao, *China, Britain*, pp. 138-9, 143.

¹⁸⁰ Zhang Hanfu *zhuan*, p. 149.

Table 9: Decline in number of British firms 1949-1956



Source: Figures from Shao, China, Britain, pp. 138-9, 143.

Among those that remained were the major players: Butterfield & Swire, Jardine Matheson, HSBC and others, but there were a few smaller firms too. As will be discussed in the next chapter the 'transfer' of Yee Tsoong Tobacco set a workable model for a staged takeover of these remaining firms. Companies were pressured into positions of weakness until they had no choice but to offer their assets to the Chinese in exchange for liabilities. In this way, the Communists were able to take over large amounts of British assets in a staged and pragmatic manner with little cost to themselves.

The rounds of requisitions and retaliatory requisitions between China and Britain in 1950 and 1952 represented new low points in Sino-British relations, which had already suffered as a result of the strategic embargo. The Chinese took advantage of opportunities provided by the British Government's seizure of their assets to acquire the vitally important public utility companies and strategically important assets such as Shell's oil infrastructure, Shanghai Dockyard's wharves and the three British public utility companies. In the long term, British interests within China were seen by many to have been compromised by their government's overriding concern with aligning behind American policy.¹⁸¹

¹⁸¹ Shao, *China, Britain*, pp. 82-3.

The processes by which British firms were taken over and transformed sheds a great deal of light on the ground level processes of the transformation of Shanghai more widely. Contrary to later accounts, which presented the takeover of foreign firms as anti-imperialist triumphs, takeovers were actually conducted in a staged and stable manner. Familiar patterns from the expropriation of the public utility companies in 1952 were replicated with subtle changes in later takeovers, like that of Orient Paint: stability and production were the key themes, not revolution and transformation. In larger and more politically significant firms (such as the British Tram Company or EWO Brewery), the CCP were already strong, and so the ground was better prepared for the transfer of ownership. In less significant private firms such as Orient Paint, the cadres faced the challenge of having to build a Party organisation and to help the largely apathetic and apolitical workforce catch up with the rest of the city's workers. There were concrete improvements in the standard of living for the workers in these enterprises, but many of their problems continued. Only when control had been consolidated over Orient Paint's workers did political education move away from moderate, unifying themes and towards Communist ideology, class conflict and holding 'running dogs' of the British like Yao Jialang to account. Unsure of their own abilities and painfully aware of their limited resources, the CCP approached Shanghai warily. Only once they felt themselves firmly in control did they begin to embark on more radical plans designed to transform this decadent but decrepit city into a new socialist utopia.

Chapter 5: Transfer and Withdrawal

By the end of 1952, the central and local authorities had developed a systematic approach to the elimination of foreign businesses in Shanghai. While many smaller businesses were permitted to close, larger concerns which were closely intertwined with the Chinese economy, were to be taken over through transfers of all assets for all liabilities on the Yee Tsoong model. Building on Zhang Hanfu's suggested plan for dealing with the Kailuan mines ('treating each situation on its merits and taking steady steps forwards') and the decisions taken at the meeting of the economic and foreign affairs organs in May 1952 (discussed in the previous chapter), the CCP went on between 1953 and 1955 to eliminate the majority of the remaining foreign enterprises in Shanghai.

This chapter examines the processes through which British companies were eventually able to close and withdraw. The number of British firms in Shanghai declined from 376 in May 1949 to 25 in 1954.¹ Previous scholarship has tended to portray this period as one in which the problems of British companies like Jardine Matheson were resolved relatively neatly. Jardine Matheson and the other large trading companies went on to switch from trade in China to a new pattern of trade with China via Hong Kong.² The reality was rather more complex. Firms arrived at the point of 'transfer' by many different paths, according to their nature, size, reserves and directors' strategies. As in preceding years, the Chinese were careful to set about this task in a pragmatic manner, with one eye on the effect the withdrawal of foreign concerns would have on the wider economy. The final elimination of foreign businesses was part of a wider transformation: the 'transition to socialism,' which began in 1953. Policies targeted at transforming the Chinese economy also affected British firms, both directly and indirectly.

This chapter begins by establishing the final withdrawal of the majority of British businesses within the context of the transition to socialism and the partial improvement in relations that followed the Geneva conference of 1954. A series of case studies centring on different firms and different economic sectors then follows. Butterfield & Swire are used as an example through the 'squeezing' of large concerns who then went on to reorient the trade via Hong Kong is examined. The experience of smaller firms is then considered in contrast to this.

¹ Zhang Hanfu zhuan, p. 149.

² Clayton, *Imperialism Revisited*, Tang, *China's Nationalisation*, Luard, Evan, *Britain and China*.

Following this, several different case studies focusing on the real estate sector, banking and textile mills are employed, to demonstrate the CCP's methods in dealing with firms that could not be handled in the usual fashion.

The final elimination of foreign interests

In the first half of 1953, Zhou Enlai and Zhang Hanfu established a new taskforce at the Ministry of Foreign Affairs. The taskforce was charged with completing the elimination of foreign economic interests and was headed by Huan Xiang. This measure was taken, it seems, as there was a general feeling that in dealing with the enormous task of administering the city, the CCP's foreign affairs cadres had perhaps lost sight of the broader policy goal: namely, the complete eradication of foreign economic influence in China. How was this to be accomplished?³

Two documents were drawn up to be discussed at a conference on foreign affairs in June 1953. These were the 'Plan for furthering the fundamental purging of the economic privileges of imperialism from China in 1953 to 1954' (*guanyu 1953 nian zhi 1954 nian nei jinyibu jiben suqing diguozhuyi zai Hua jingji tequan de fangan*, 关于一九五三-五四年内进一步基本肃清帝国主义在华经济特权的方案) and the 'Outline of dealing with the property of the imperialism in China over the last three years' (*san nian lai chuli diguozhuyi zai Hua caichan de gaikuang*, 三年来处理帝国主义在华财产的概况).⁴

These documents stated that, because the CCP were about to embark on a programme of economic transformation, it was necessary to get rid of the remaining imperialist economic influence. This had to be done, it was stressed, in a stable and managed way and on a case-by-case basis. The preferred method would be through 'transfers' of assets for liabilities. If this was impossible, the firms could, as a last resort be expropriated, leased, bought or allowed to close. Manufacturing concerns were the prime targets for elimination. Trading organisations such as Jardine Matheson, Butterfield & Swire and Imperial Chemical

³ This was certainly the case regarding the elimination of foreign real estate interests, see SMA B258-2-40, *Shanghai Shi Zhengfu Waishi Chu guanyu '1953 nian li Shanghai waiguo fangdichan shang gongzuo zongjie' ji zhiling pifu* [Shanghai Municipal Government Foreign Affairs Department regarding 'Summary of work on Shanghai foreign real estate companies in 1953' and reply with instructions], February 1954 - June 1954.

⁴ *Zhang Hanfu zhuan*, pp. 149-50.

Industries (ICI) which provided vital imports to China would be encouraged to stay and do business.⁵

The 'Transition to Socialism' and the Chinese economy

The announcement of the 'General Line for the Transition Period' in August 1953 marked the beginning of China's 'transition to socialism.' Since 1949, the country had been run according to the policy of 'New Democracy'; a period of compromise in which all social groups would unite behind the shared project of national reconstruction. Under New Democracy, it was intended that 'national capitalists' would be encouraged to do business so that China's economy could develop over a decade or more. Historians have long assumed that this policy was adopted as a cynical short-term measure and that its abandonment in 1953 was part of the CCP's plan all along. Recently, Bennis Wai Yip So has challenged this idea. So suggests that, rather than being pre-planned, the decision to move forward with the transition to socialism in 1953 was actually the product of a series of economic and political circumstances that arose in 1952. This complicates our understanding of the elimination of foreign businesses in several ways: it challenges the assumption that the Communists were necessarily anti-business; it suggests that, regardless of the international context, the decision to eliminate foreign firms was closely tied to domestic conditions; and it demonstrates that the fortunes of the foreign firms in China were closely linked with their Chinese counterparts.

Rather than seeing the state sector and private sector as incompatible, So argues, the CCP actually at first believed that they could use capitalism to boost the private sector under state planning. The use of capitalism and the creation of joint public-private enterprises to take over abandoned enterprises or enterprises in difficulty after 1949 were seen as temporary measures. In fact, top leaders were reluctant to meddle too widely in the affairs of Chinese capitalists, to avoid causing fear of nationalisation. They wanted more capitalism, not less. Much to the chagrin of more radical local cadres, private enterprise was promoted, with Mao enjoining his followers 'not to hit out in all directions.'⁶

⁵ Zhang Hanfu zhuan, pp. 149-50.

⁶ So, 'Policy-Making,' pp., 682-703; Mao 'Don't hit out in all directions,' *Selected Works*, Vol. 5, (Beijing: Foreign Language Press, 1977), pp. 35-6.

From 1949 to 1951, the value of private industrial output rose by 48 per cent. Wary of the instabilities inherent in capitalism, however, the CCP placed increasingly stringent controls over supply and purchasing, using government monopoly trading companies. Controls were increased as concerns arose over the relative strength of the private sector over the state sector.⁷ In a report from 1954 on the transformation of Shanghai's economy, the CCP described their two main weapons for exerting control over capitalists as the state trading companies and the People's Bank. The trading companies could be used to 'squeeze' capitalists through price-fixing. By controlling the banking system the government could strictly regulate access to capital.⁸ The 1952 Five Antis Campaign terrorised the Chinese business community. As a result, the share of turnover belonging to private businesses decreased dramatically and their continued operation came to rely almost entirely on being given processing and purchasing orders by the trading companies. Private enterprises failed in the absence of a market. This left the state sector looking superior. In light of the perceived superiority of the state sector, Mao decided in late 1952 to advance the speed of socialist transformation.⁹

Mao had not decided on the exact form the transition would take. An investigative team led by Li Weihan (李维汉) toured several large cities to look for an answer. Li concluded that the best way to speed the transformation of the economy would be to adapt existing policies. He argued that, after the Five Antis, managers did not dare manage. Costs and waste were increasing and investment was minimal. He suggested incremental takeovers of private firms through a series of stages, ranging at first from state supply and purchasing of products to state-private joint ownership. His report was approved by Mao on the 15th June 1953 and the new 'General Line' for a ten-to-fifteen year transition to socialism was announced. Chinese capitalists were, in the main, eager to divest themselves of their responsibilities as soon as possible. Many continued to hold nominal continued control in partnership with the state, but this meant little in reality. The transition was declared complete in 1956.¹⁰

⁷ So, 'Policy-Making,' pp. 682-703.

⁸ SMA B182-1-461-187, *Shanghai ruhe cong xiaofei chengshi zhuanbian wei shengchan chengshi*, 25/4/53.

⁹ So, 'Policy-Making,' pp. 682-703.

¹⁰ Ibid.

So asserts that there was no hidden agenda for nationalisation before 1953: the CCP genuinely wanted to make use of capitalism, not to abolish it.¹¹ The transformation to socialism was based on immediate pragmatic concerns. The situation of foreign business was different to that of Chinese business, because the CCP had always intended to eliminate them in the short- to medium-term. It is clear, however, that the techniques applied to 'squeeze' Chinese capitalists were also applied to foreign capitalists in an only slightly modified fashion. Both Chinese and foreign capitalists were being pressured to surrender their businesses to the Chinese Government through direct and indirect means. Foreign firms had long existed within the local economy; they could hardly continue business as usual as the environment changed around them. The contraction of the private economy and the increased role of the state in supply and purchasing affected all firms, regardless of nationality. Seen in this light, the processes of the transformation of the Chinese economy and the elimination of foreign interests were closely intertwined. Both processes were much more complicated and provisional than was once thought.

Sino-British relations and the Geneva Conference

At the same time things were changing on the international level. Since 1949, the Chinese Government had stuck to its policy of 'non-recognition' of foreign diplomats from countries with which the PRC had not yet established diplomatic relations. The British had recognised China in 1950, but negotiations had stalled. As a result, on his arrival to take over as *chargé d'affaires* in 1953, Humphrey Trevelyan found the British Embassy in Beijing in an 'anomalous and humiliating position.' Of particular annoyance was that his communications were often ignored.¹²

Stalin's death in March 1953 changed the world situation dramatically. The Chinese took proactive steps to end the Korean deadlock and this led to the signing of an Armistice agreement in July 1953. The Armistice paved the way for a conference in Geneva on the Korean and Vietnamese questions from April to July 1954. The month before the conference, Zhang Hanfu attended a supper party held by Trevelyan to celebrate the Queen's coronation. Trevelyan and others were invited for a return dinner at the Ministry of Foreign Affairs. After

¹¹ George N. Ecklund, 'Protracted Expropriation of Private Business in Communist China,' *Pacific Affairs*, Vol. 36, 1963, pp. 238-249.

¹² Trevelyan, *Worlds Apart*, pp. 15, 20, 51-2.

years of isolation, these small steps seemed hugely important.¹³ This partial détente, Trevelyan believed, was aimed at courting the British and isolating the Americans.¹⁴ He was correct. The Chinese delegation's primary aim in Geneva, former Shanghai FAD head Huang Hua recalled in his memoirs, was to shatter the American policy of isolating China politically and economically.¹⁵ China's willingness to talk at Geneva was consciously designed to be in stark contrast to America's standoffish attitude.¹⁶

The negotiations on Korea stalled. Despite this, Anthony Eden was able to hold a series of personal talks with Zhou Enlai. The result was the upgrading of Sino-British diplomatic relations to the *chargé d'affaires* level. Recognition of their diplomatic status, albeit on a low level, significantly improved the position of British representatives in China. They were now assured regular contact with Communist officials. The Shanghai Consulate General was also recognised by informal agreement. This allowed Urquhart to finally leave the country, in the knowledge that he could be replaced.¹⁷ The Chinese also expressed willingness to solve the problems of British firms remaining in China quickly.¹⁸

The groundwork was laid in Geneva for a delegation of the British Labour Party, led by former Prime Minister Clement Atlee, to visit China in August 1954.¹⁹ The visit was carefully stage-managed on the Chinese side. Every enterprise they visited in Shanghai, for instance, was thoroughly prepared. Reports were readied in advance on the improvements in each one since 'Liberation.'²⁰ Before the delegation arrived, Zhou Enlai gave a speech to his cadres in which he said that the visit was a great opportunity; China's rapprochement with the West could begin with Britain. He noted that the Labour delegation was coming despite American opposition.²¹ British businessmen affiliated with the China Association were able to organise trade missions to China in 1954 and 1955. Over the next few years, the British

¹³ Shao, *China, Britain*, pp. 144-8.

¹⁴ Trevelyan, *Worlds Apart; China*, pp. 72-6.

¹⁵ Huang Hua, *Qinli yu jianwen*, p. 94.

¹⁶ Zhai Qiang, 'China and the Geneva Conference of 1954,' *The China Quarterly*, No. 129 (March 1992), pp. 107-8, 116-7.

¹⁷ Trevelyan, *Worlds Apart*, pp. 80-3, 107-8.

¹⁸ Shao, *China, Britain*, pp. 145-8.

¹⁹ Zhou et al., *Shanghai waishi zhi*, p. 54.

²⁰ SMA A38-2-145-4, *Shanghai Shi Renmin Zhengfu Waishi Chu guanyu yaoqiu dui ge youguan danwei de cailiao ti chu shenke yijian de han* [Letter from Shanghai People's Government FAD requesting in depth suggestions on materials on all relevant work units], 21/8/54.

²¹ *Tuijin Zhong Ying guanxi, zhengqu heping hezuo* [Push forward Sino-British relations, struggle for peaceful cooperation], *Zhonghua Renmin Gongheguo Waijiaobu, Zhou Enlai waijiao wenxuan*, pp. 79-86.

Government took many steps to facilitate trade between the two countries, including loosening trade restrictions in 1956-57, much to the Americans' displeasure.²²

Figure 19: Anthony Eden and Zhou Enlai at Geneva



Trevelyan noted in October 1954 that there had been certain improvements in Shanghai. For instance, it was now much easier for British companies to change their personnel and closure negotiations were progressing a little more quickly than before. The authorities were at least 'a little more friendly' now. The change was however, he noted, one of tone, rather than of intent. There was still no doubt that the Chinese still wanted to take over the assets of all of the British firms remaining in China. So there was little hope of 'equitable treatment by our standards.'²³ In his memoirs, Trevelyan later recalled that 'the post-Geneva honeymoon ended in a quarrel as soon as it had begun.' Britain could not help but get involved in a row that had flared up between China and America concerning the fate of Taiwan and Chinese representation at the United Nations.²⁴

²² Shao, *China, Britain*, pp. 154-62.

²³ TNA FO 676/493, Foreign business interest in China: British, 1954, Part 2; Trevelyan, Beijing to C.T. Crowe, Foreign Office, 5/10/54.

²⁴ Trevelyan, *Worlds Apart*, pp. 131-2; original emphasis.

Discriminatory treatment? The Chinese official line

At Geneva, Trevelyan had brought up the situation of the British businessmen in Shanghai with Huan Xiang numerous times. He requested that they be treated fairly and that those who wished to close should be allowed to do so quickly and on fair terms. They should be allowed to discharge their surplus Chinese staff, he said, and foreign staff members should be allowed to enter and exit the country without impediment.²⁵ Huan's replies embodied the official Chinese line: this was that British firms had not been treated unfairly; many British firms had done good business between 1949 and 1951; there had been a turn for the worse in the second half of 1951, just as the British had strengthened trade controls; the Chinese had taken measures to relieve the plight of British firms by placing orders for goods and by offering loans worth RMB 12,000 million in Hankou and Shanghai. In spite of this assistance, the firms still had great difficulties for which, Huan argued, their managers were responsible, and not the Chinese. The Chinese had allowed many firms to close, he pointed out. By 1953 over 170 foreign firms had closed successfully. Eighty of these were Shanghai firms and of those around fifty were British.²⁶

Those firms that had already transferred their assets to Chinese organisations in exchange for liabilities had done so voluntarily, Huan continued. The Chinese had done them a favour in accepting their staff and tax liabilities when often they did not even require the assets. He then went on to say that the Chinese Government had never refused to permit foreign firms to discharge their surplus Chinese staff and that no impediments had been placed deliberately in the way of the movement of foreign staff. Technically speaking, Huan was correct. No regulations or laws had been passed which openly discriminated against foreign firms or restricted the freedom of movement of foreign personnel.²⁷ In practice, however, British firms seemed to be treated very unfairly.

One example of this, the Foreign Office observed, was that although the tax system had been used to 'squeeze' British firms, the tax regulations were not in themselves discriminatory

²⁵ TNA FO 676/492, Foreign business interest in China: British, 1954, Part 1; Foreign Office to Shanghai, 5/5/54 forwarding Geneva to Foreign Office, 4/5/54.

²⁶ SMA B1-2-3658-25, *Shanghai Shi Junshi Guanzhi Weiyuanhui Waishi Chu, Shanghai Shi Renmin Zhengfu Waishi Chu guanyu song 'Ou Fei si zhang yu Du Weilian de tanhua gao* [Shanghai Municipal Control Committee Foreign Affairs Department, Shanghai People's Government Foreign Affairs Department regarding 'Outline of talk between Head of Europe and Africa Section Huan Xiang and Trevelyan], 24/4/54.

²⁷ Ibid.

towards foreigners. In practice, the Chinese authorities interpreted the rules as they wished.²⁸ A thin cloak of legality covered the CCP's actions. When it came to acquiring a foreign company's assets, a Foreign Office observer commented, the Chinese followed a 'stock pattern':

Their aim is to make a firm give up its property by its own act, so that no claim can lie against the Chinese Government for restitution or compensation. Their method is to make the firm totally insolvent by denying it the possibility of continuing its business, by multiplying its liabilities and by refusing it permission to meet these liabilities by sale of property & stock. The means used are unfair and very effective. A firm wishing to close is fortunate if it liquidates its affairs without having to pay for it in foreign exchange.

This approach was not directed explicitly against British firms: it was simply the case that the majority of remaining foreign businesses were British. Foreign Office observers believed that the Chinese desire to eliminate British firms within China did not necessarily preclude future trade along new lines (trade *with* China rather than trade *in* China). The majority of British firms now wanted to close, and the Chinese wanted to ensure that they took nothing with them. That the process was so prolonged was ascribed to the inefficiency of the Chinese bureaucracy, their tendency to be temperamental and obdurate, and their desire to extract as much money as possible in the process.²⁹

The final withdrawal of British businesses: 'old China hands' Butterfield & Swire

The paths by which British businesses arrived at the point at which they 'volunteered' to transfer their assets to the Chinese varied from company to company. The decision usually depended on the degree to which they were susceptible to 'squeezing'. Companies with large reserves of stocks and capital could hold out longer than those which were operating on slim margins. Companies with large, militant workforces could be more easily pressured than small companies. Manufacturing companies were more easily 'squeezed' than other types of companies such as trading concerns, which were not reliant on state trading companies for supplies of raw materials and purchase of their products. The majority of companies tried to hold out for as long as possible before agreeing to transfers to try to get something in

²⁸ TNA FO 676/492, Foreign business interest in China: British, 1954, Part 1; Foreign Office Minute, 27/3/54, author unknown.

²⁹ Ibid.

exchange for their assets. Some held on in the hope that their properties would be requisitioned, a step that would potentially lay the groundwork for a future compensation claim should there be a change in the political situation.

In their report on the closure of their interests in China, Butterfield & Swire referred to the period 1953-1954 as the 'period of impatience.' The Chinese were now in a position to take over their assets and wished to do so as soon as possible. In October 1953, their Shanghai office wrote:

A most unusual amount of indoctrination is being ladled out to our godown [warehouse] staff just now. Almost a complete stop has been put to all our efforts to sell, use, or remove anything, and there is most patent discrimination in the matter of rental rates. The general picture has all the appearances of the preliminaries of acquisition in some form or another.³⁰

The 'squeeze' was about to intensify. Enormous tax demands appeared, income was restricted and the authorities began to demand repairs 'of colossal magnitude' be made without delay.³¹ In November, for example, they were ordered to rewire one of their wharves completely, dredge all of their wharves, renew the fenders on all their concrete wharves and re-roof their warehouses. They had no local funds with which to do this and the Hong Kong office refused to remit.³² Government corporations cancelled their leases *en masse*.³³ Swire decided to withdraw completely in April 1954, handing over their assets in exchange for their liabilities. 'There was no other way', they later wrote:

They [the Chinese] leant over backwards now to avoid clean requisition, except of land – they were going to have all properties with no claims attached, and probably regretted their earlier requisitions, made out of pique.³⁴

Immediately following the Geneva conference, there was 'an appreciably better atmosphere' in Shanghai. Swire decided to take advantage of this in August and approached the FAD for

³⁰ JSSCA CHINA CL6, Withdrawal from China, p. 51.

³¹ Ibid.

³² TNA FO 676/497, Foreign business interest in China: Butterfield and Swires, 1954; John Scott, Swires to Crowe, Foreign Office, 18/2/54.

³³ JSSCA CHINA CL6, Withdrawal from China, pp. 30-5.

³⁴ Ibid., p. 51.

an introduction to an organisation that might take over their assets.³⁵ In September, they were introduced to an official from the China Ocean Shipping Agency. This was He Jingui, the same man who had negotiated the takeover of Holt's Wharf in 1953. He was, Swire reported, a 'professional negotiator' who changed 'his hat according to the subject in hand.'³⁶ At the first negotiation a preliminary statement of assets was drawn up, showing that Swire possessed some £2,000,000 to £3,000,000 of assets and only around £200,000 of liabilities. The Chinese negotiator dismissed the significance of this, saying:

I do not want you to mention this. From a business point of view, my company is not interested in this negotiation, but it is willing to try to help you out of your difficulties.

This was a clever move. The Chinese put themselves in the position of reluctantly helping foreign companies to withdraw. Swire would have to conform to the negotiator's wishes, or waste more time and money. At the second negotiation the Chinese made it clear that they would not accept any unknown liabilities that might arise in future and they followed this by imposing a strict deadline for completing negotiations. The deadline passed as the two sides continued to argue over the details of the transfer. Swire felt that the Chinese were distorting the idea of an 'all assets for all liabilities' transfer by refusing to accept responsibility for certain unpaid taxes and labour costs. As Swire wished to complete the deal early to avoid the usual end-of-year costs (bonuses etc), they eventually had to remit £7,500 to cover half of the existing tax demands and £3,500 to pay off several staff-members. The transfer was agreed on the 15th December 1954. Swire considered it a 'major swindle.'³⁷

After the contract was signed, Swire's British negotiator, who 'had throughout the negotiations called a spade a spade, and a swindle a swindle' was told that his attitude had tried their patience. If they had wished, the Chinese said, they could have detained him much longer: 'his attitude would not have passed twelve months ago' before Geneva. 'Confirmation', Swire concluded that, 'in other words ... power to grant an exit permit was the final sanction.'³⁸

³⁵ TNA FO 676/497, Foreign business interest in China: Butterfield and Swires, 1954; Veitch to Combs, 2/8/54; J.K. Swire to Crowe, Foreign Office, 10/8/54.

³⁶ TNA FO 676/497, Foreign business interest in China: Butterfield and Swires, 1954; John Scott to Crowe, Foreign Office, 15/10/54. No characters available for He Jingui.

³⁷ JSSCA CHINA CL6, Withdrawal from China, pp. 51-6; TNA FO 676/497, Foreign business interest in China: Butterfield and Swires, 1954; Garner, Shanghai to Foreign Office, No. 32, 16/12/54.

³⁸ JSSCA CHINA CL6, Withdrawal from China, pp. 51-6.

Before 'Liberation', Shanghai's ship tonnage represented seventy per cent of the national total. The Communists had only inherited a tenth of this tonnage and the retreating Guomindang had made off with the largest and best equipped ships.³⁹ The Chinese needed to make use of Swire's ships, so they were allowed to retain a small shipping office in Shanghai.⁴⁰ For their part, companies like Butterfield & Swire, Jardine Matheson and ICI had one eye on the future. They were international businesses for whom Shanghai represented only a part of their wider interests. They were businessmen, not politicians, one Foreign Office observer noted, and so they were practical in approach:

They waste no time on lament for the lost, and many look for a positive renewal of their commercial connections with China, after they have disengaged themselves from their old liabilities.⁴¹

Jardine Matheson were keen to shed their unprofitable industrial and other fixed assets in Shanghai and shift from a pattern of trade in China to trade with China via Hong Kong. Trevelyan suggested that Jardine Matheson's closure negotiations had been conducted very quickly because they had 'made concession after concession' in their haste.⁴² ICI similarly wished to close their interests quickly, leaving only a small office to arrange for imports to China.⁴³ Both Jardine Matheson and ICI were careful not to upset the Chinese and sour the prospects for future business.

³⁹ *Shanghai jingji shang de zhongyao wenti gaishu* [Overview of important economic problems in Shanghai], 09/49, *Shanghai jiefang*, 487.

⁴⁰ JSSCA CHINA CL6, Withdrawal from China, pp. 51-6; TNA FO 676/497, Foreign business interest in China: Butterfield and Swires, 1954; Garner, Shanghai to Foreign Office, No. 32, 16/12/54.

⁴¹ TNA FO 676/492, Foreign business interest in China: British, 1954, Part 1; Foreign Office Minute, 27/3/54, author unknown.

⁴² TNA FO 676/493, Foreign business interest in China: British, 1954, Part 2; Trevelyan, Beijing to C.T. Crowe, Foreign Office, 5/10/54.

⁴³ Brodie, *Crescent over Cathay*, pp. 242-72.

'The Chinese hold all the cards': Brandt & Rogers, Talati Estates and

S. Behr & Mathew Ltd.

The transfer of Butterfield & Swire tells us much about the experience of larger firms in this period, but smaller firms also remained. Unlike Jardine Matheson, Swire and ICI, they were unable to reorient their trade via Hong Kong. For larger companies, it was often simply a question of profit and loss. They wanted to get their staff out as soon as possible and to commence new forms of trade. For smaller firms, the human element often came into matters much more strongly.

Take, for example, the case of Brandt & Rogers Ltd., land and estate agents whose chief interest was in looking after properties belonging to various members of the Brandt family, which had been established in Shanghai since 1900. The company was owned by two cousins, A.J. and F.W. Brandt. The day-to-day management of the company was conducted by a Chinese comprador named C.B. Lee with little supervision from the Brandts. Although the Brandts were still held to be the 'responsible persons' in charge of the company, the firm's union had effectively usurped control of the company's accounts and income. In 1950 they attempted to abandon the business, but this move was blocked by the union, who demanded that a final settlement of the company's affairs must first be made before they would be allowed to leave. Long and frustrating negotiations followed. The comprador was reportedly of 'no use at all' as he had 'found it politic to fall ill and to stay ill.' Eventually, they decided to offer the firm's assets against its liabilities. After what the British Consul General called 'long and wearisome palavers', they finally succeeded in reaching a settlement and left China in May 1954. Their extensive properties were transferred to the control of the Shanghai Municipal House and Land Company (a subsidiary of the Shanghai Municipal House and Land Control Bureau). The cousins were thought by the Consul to have handled their affairs poorly. There was animosity between the two as A.J. Brandt did not trust his cousin, who:

originally, probably partly through lack of backbone and partly because of insufficient interest in the company's workings, let the union get and retain the upper hand. A stronger character might have staved off disaster longer or have saved something from the wreck but in the long run the results would have been roughly the same.⁴⁴

⁴⁴ TNA FO 676/493, Foreign business interest in China: British, 1954, Part 2; Shanghai Consulate General to Beijing Embassy, No. 168, 29/5/54; see also Lu Wenda (ed.), *Shanghai Fangdichan Zhi* [Record of Real Estate

From November 1954 onwards the Foreign Office forwarded a series of communications to a Mr. Jamshed Talati, an elderly British subject of Indian origin, from his daughter in Britain. Talati ran a real estate business in Tianjin named Talati Estates. His daughter urged him to come home as soon as possible. Darab Dhunjishah, his business partner and the actual manager of the company, had been expelled from China following a legal dispute. The seventy-year-old Talati was left in charge. Talati was, in Dhunjishah's words, 'not at all conversant with the important details of the affairs of our company.' Talati desperately sought to assert his right to his business in the face of growing pressure to reach a transfer agreement.⁴⁵ A government organisation was occupying one of their properties and withholding rent, while the firm was being pressured with tax demands.⁴⁶

Dhunjishah had been firmly against such a transfer, and had been pushing instead for some form of lease agreement. Talati continued to try this approach, but Trevelyan doubted that he would be 'able to save anything from the fire.' Trevelyan felt strongly that Talati should concede and agree to a transfer, but he could not advise him to do as this would be overstepping his diplomatic remit, potentially leaving the British Government open to compensation claims. Then Talati came up with a plan. He handed the firm over to the care of a Chinese manager while he applied for an exit permit. Trevelyan was pessimistic. Much to his surprise, the transfer of management was permitted. Talati was allowed to leave. Soon after his departure, however, the Chinese manager completed an assets for liabilities transfer.⁴⁷ Talati's case demonstrated that, while larger firms were able to withdraw with the prospect of switching to new patterns of trade, others had clung on desperately. That he was allowed to transfer his 'responsible person' status to a Chinese subordinate suggests that when the stakes were lower, the authorities were more confident and more flexible in approach.

in Shanghai] (Shanghai: Shanghai Shehui Kexueyuan Chubanshe [Shanghai Academy of Social Sciences Publishing House], 1999), pp. 164-6.

⁴⁵ TNA FO 676/520, Foreign business interest in China: Talati Estates, 1954; Darab Dhunjishah to H Trevelyan, 15/11/54; P.G.F. Dalton, Colonial Secretariat Hong Kong to W.I. Combs, Embassy Beijing, 18/9/54.

⁴⁶ TNA FO 676/537, Foreign business interest in China: Talati Estates, 1955; Trevelyan, Beijing, to C.T. Crowe, Foreign Office, 17/2/55; C.T. Crowe to Trevelyan, 4/4/55.

⁴⁷ TNA FO 676/537, Foreign business interest in China: Talati Estates, 1955; Trevelyan, Beijing, to C.T. Crowe, Foreign Office, 11/5/55; J.M. Addis, Beijing, to C.T. Crowe, 3/6/55; Minute by 'D.H.', 26/11/55.

A few firms, such as the egg packers S. Behr & Mathew and the International Export Company, attempted to force the Chinese authorities to confiscate their business by refusing to pay workers' wages. Under Chinese law refusing to pay wages was illegal. 'To be robbed, cheated and generally pushed around by the Chinese is not pleasant,' Urquhart's replacement as Consul General Alan Veitch reported to London, 'but foreign concerns in China now hold no cards worth playing and can only minimise their losses as far as they can.' Before closure was allowed and foreign staff were permitted to withdraw, he noted, all wages in arrears had to be met. The best course, Veitch suggested, was 'to continue to pay up while (for the want of better words) the going is good; the Chinese will know who can afford to pay.' If they continued to withhold wages their representatives would 'moulder in China for years if not for ever.'⁴⁸

The managers of many companies endured years of hardship, stress and tedium, but the position of S. Behr & Mathew's Shanghai representative was particularly tragic. In early 1954, it was clear that the Chinese were about to put the squeeze on the company and force a final transfer. The company's London directors had, however, decided to hold out in the hope of preserving their property rights. The manager, an elderly Polish man named Schiffman, was caught in the middle. The Chinese would not rush to take over the factory, but would build pressure through the accumulation of taxes and fines for late payment. Once their debts had mounted sufficiently, the company could be seized under court order, maintaining 'the fiction,' Foreign Office observers noted, that the Chinese had acted within the law. Schiffman had been trying to replace himself as manager for nearly two years. He had found it impossible because it was to the Chinese's advantage to have this old, worried man as the 'responsible person.' A new manager, content to stay in Shanghai indefinitely would, Foreign Office observers noted, 'not be such easy game,' nor such a burden on the conscience of the firm's principles.⁴⁹

⁴⁸ TNA FO 676/492, Foreign business interest in China: British, 1954, Part 1; A. Veitch, British Consulate General, Shanghai to W.I. Combs, Embassy, Beijing, 26/2/54.

⁴⁹ TNA FO 676/492, Foreign business interest in China: British, 1954, Part 1; Veitch at Consul General Shanghai to W.I. Combs at Embassy, Beijing, 9/2/54; S. Schiffmann, Behr & Mathew Ltd., Shanghai to A. Veitch, Consul General Shanghai, 4/2/54; Copy of letter from Schiffman to Foreign Affairs Department Shanghai, 8/8/53.

Figure 20: An unidentified foreign man changing his money as the newly released *Renminbi* begins to circulate in Shanghai, March 1955



Schiffman was being put under coordinated and intense pressure by the labour union. The union was acting in concert with the FAD and with government companies who were interested in acquiring the company's cold storage facilities. He was frequently accosted by groups of workers, who blamed him when there was no work for them to do. In February 1954, he had informed his directors in London that he saw no prospects for getting anything from the Chinese and had asked for them to give him authority to transfer all the firm's assets for their liabilities 'and so rid themselves of further responsibilities and unpleasantness.' The directors replied, telling him that they would never voluntarily surrender their assets.⁵⁰ Despite their resolve, the firm later agreed to a handover.⁵¹ Much to Schiffman's relief, an assets for liabilities transfer was finally agreed in December 1954 after six months of wrangling with the China National Food Corporation.⁵²

⁵⁰ TNA FO 676/492, Foreign business interest in China: British, 1954, Part 1; S. Schiffmann, Behr & Mathew Ltd., Shanghai to A. Veitch, Consul General Shanghai, 4/2/54.

⁵¹ TNA FO 676/503, Foreign Business Interests in China (British); Behr & Mathew (Shanghai), 1954; A. Veitch, Shanghai to W.I. Combs, Beijing, No. 211, 1/7/54, enclosing letter from L.E. Schusterovitz, Director of S. Behr and Mathew to S. Schiffman, Shanghai, 17/6/54.

⁵² TNA FO 676/503, Foreign Business Interests in China (British); Behr & Mathew (Shanghai), 1954; F.F. Garner, Shanghai to W.I. Combs, Beijing, No. 454, 29/12/54.

Schiffman was not alone in feeling abandoned. It was not unusual for men on the ground to feel exhausted, claustrophobic and bored. It was natural for them to feel resentful towards their superiors in London or Hong Kong who were playing a waiting game and hoping to avoid handing over their assets. The CCP's absolute control over entry and exit from China deprived them of a feeling of control over their own destinies. Years of struggles with government officials and angry workers compounded their anxiety.⁵³

As Frank King noted in his history of HSBC, there was considerable dissent amongst the HSBC staff who remained in Shanghai. It was felt by many that they had been abandoned by the Chief Manager in Hong Kong, Sir Arthur Morse, to years of frustration and boredom at the expense of their career development. Such dissent was unusual in an organisation with such a strong and cohesive institutional identity. Their anxiety and claustrophobia were exacerbated by the fact that many had been interned by the Japanese during the Pacific War. Despite the fact that the Hong Kong office were making sincere efforts to withdraw personnel, these efforts were impeded by the refusal of the Chinese authorities to issue exit visas. There was still a sense that those left behind were 'Forgotten Men.'⁵⁴ HSBC's situation was far from unusual: feelings of abandonment and frustration were widespread.

Real estate companies

Shanghai Real Estate 1949-1953

Not all foreign businesses could be 'squeezed' in the same way. Real estate companies had large fixed assets that they were reluctant to abandon: their incomes came from rents which were hard to manipulate and their workforces were too small to apply effective pressure. How did the CCP adapt their techniques to put pressure on different types of companies?

Before the Communist takeover, foreigners had owned, rented and built on land in Shanghai for over a hundred years. Real estate ownership ranged in scale from the enormous portfolios of the downtown property dynasties such as the Sassoons and the Hardoons, who between

⁵³ See for example the case of P.G. Rynd, HSBC's manager in Tianjin who seems, from the archival record, to have had some form of nervous breakdown; HSBC SHGII 0280, Letters and papers re: closure of office, 1946-54.

⁵⁴ HSBC 1641/005/C, Oral History, Francis Richard Burch, pp. 88-9; HSBC 1641/016/C, Oral History, O.P. Edwards, pp. 66-7; King, *Hongkong and Shanghai Banking Corporation*, Vol.4, pp. 376-80.

them controlled Shanghai's most valuable and well-located real estate, to the ownership of large suburban houses, small shops in poor areas and agricultural land. Land and real estate accounted for around 65 per cent of all British assets in Shanghai.⁵⁵ A hundred years of complicated land deals, inheritances and disputes had left a confusing legacy. The situation had been further complicated during and after the Pacific War as properties had been seized by the Japanese, abandoned or destroyed. Owners had fled and returned numerous times, sometimes abandoning their property and sometimes continuing to assert their claims from overseas.

When the Communists entered the city in May 1949, the issue of how to take control over foreign-owned real estate was simultaneously a pressing one, and one which they were reluctant to begin dealing with because, they admitted in confidential reports, of the complexity and enormity of the task.⁵⁶ Certain principles of foreign land ownership were laid out following the establishment of the People's Republic in October. The most important of these was that the new government did not recognise the right of foreign nationals to own land in China.⁵⁷ In December 1950, the State Council declared that China had rights over all land occupied by foreigners from countries not recognised by the PRC. Foreigners from unrecognised countries were not allowed to buy, sell or inherit land.⁵⁸

In 1949, foreigners owned 25,900*mu* of land (1*mu* is equal to 666m²) and some 7,650,000m² of building space in Shanghai. Of the 14,659*mu* owned by foreigners in the centre of the city, 3,648*mu* was owned by churches, 3,413*mu* by foreign industrial and commercial concerns and 2,624*mu* by foreign real estate companies.⁵⁹ Church land would be taken over when the churches were taken over. Over 95 per cent of all real estate property by value belonged to business concerns and the majority of this would be transferred under the terms of transfer agreements.⁶⁰ The problem remained of how to deal with foreign real estate companies.

⁵⁵ Shao, *China, Britain*, p. 136.

⁵⁶ SMA B258-2-40, *Shanghai Shi Zhengfu Waishi Chu guanyu '1953 nian li Shanghai waiguo fangdichan shang gongzuo zongjie' ji zhiling pifu*.

⁵⁷ Lu Wenda *Shanghai Fangdichan Zhi*, p. 196.

⁵⁸ He *et al.*, *Shanghai waishi sishi nian*, p. 17; Zhou *et al.*, *Shanghai waishi zhi*, p. 322.

⁵⁹ Lu, *Shanghai Fangdichan Zhi*, p. 196.

⁶⁰ Shao, *China, Britain*, p. 136.

Table 10: Foreign real estate in Shanghai, August 1951 (by nationality)⁶¹

Nationality	Building Space (m ²)	Per cent total	Land area (mu)	Per cent total
British	4,101,987	54	12,981	50
French	1,405,162	18	4,672	18
Other	905,667	12	3,003	12
US	1,243,636	16	5,303	20
Total	7,656,452	100	25,959	100

Source: Adapted from Zhou, *Shanghai waishi zhi*, p.321.

Table 11: Foreign real estate in Shanghai, August 1951 (by land use)⁶²

Type	Building Space (m ²)	Total (per cent)	Land area (mu)	Total (percent)
Churches	1,577,993	20.6	4,941	19
Diplomatic organs	118,801	1.5	458	1.8
Enterprises	2,287,407	29.9	10,536	40.5
Groups	267,426	3.5	1,699	6.5
Individuals	1,134,680	14.8	4,508	17.3
Real Estate Cos.	2,270,145	29.7	3,817	14.7
Total	7,656,452	100	25,959	100

Source: Adapted from Zhou, *Shanghai waishi zhi*, pp.321-2.

Dealing with foreign real estate companies

The Communists did not even begin to try to solve this problem until 1953. The Shanghai FAD reported to Beijing in early 1953 that Shanghai still had forty foreign real estate companies, which owned 2,807mu of land and managed 9,965 buildings, with a further 19,211 buildings being leased out. 22 of these companies were British. British companies owned two-thirds of the total land and buildings owned by all foreign real estate companies. For the FAD, these British real estate companies were products of Shanghai's 'semi-colonial' history. Financial groups such as the Sassoons had, in their view, taken advantage of their 'imperialist special privileges' (*diguozhuyi tequan*, 帝国主义特权) to speculate on Chinese land under the complicit eye of the old Shanghai Municipal Council.⁶³

⁶¹ Zhou, *Shanghai waishi zhi*, p. 321.

⁶² Ibid., pp. 321-322.

⁶³ SMA B258-2-40, *Shanghai Shi Zhengfu Waishi Chu guanyu '1953 nian li Shanghai waiguo fangdichan shang gongzuo zongjie' ji zhiling pifu*.

The British dominance of the real estate sector was due mostly to the extensive real estate holdings of Sassoons and two other large concerns, Kadoorie and Hardoon, which had all been set up by Iraqi Jews with British citizenship. These three concerns dominated the real estate market in Shanghai's economic and financial centre on the Western bank of the Huangpu River.⁶⁴ The Sassoon group was the largest foreign owner of land and property in China. Sassoons owned several real estate companies as well as banking and trading concerns. They possessed a great deal of prime real estate in the city centre including several of Shanghai's iconic buildings: the Cathay Hotel, the Chengdu Restaurant, and Hamilton House. In 1953 their financial position was relatively sound. In the early period after the takeover, they had been forced to remit nearly £400,000 into Shanghai, but these remittances had stopped and the firm had been successfully relying on income from rentals to get by. The company were set in principle against what they called the 'give away' policy adopted by other firms and were determined not to transfer their assets in exchange for liabilities.⁶⁵

Figure 21: View of the Bund showing the Cathay Hotel



The Cathay Hotel is the tall building with a dark, pointed roof

⁶⁴ Zhou, *Shanghai waishi zhi*, p. 322.

⁶⁵ TNA FO 676/498, Foreign Business Interests in China (British), Arnhold Trading Co., 1954; Veitch to Chancery, No. 115, 23/4/54.

In early 1954, the Shanghai FAD submitted a lengthy report to the Ministry of Foreign Affairs on their progress in dealing with foreign real estate. Before 1953, the report began; the Department had not carried out extensive research into the problem, nor had they developed any practical policies. Previously, they confessed, they had believed the real estate sector to be extremely complex. Real estate companies were less susceptible to pressure than other companies and so they had delayed taking action. They had only begun to address this problem in January 1953 in response to calls to action from Beijing. The publication of Beijing's 'Plan for furthering the complete purging of the special economic interests of imperialism from China in 1953 to 1954' led them to take firmer action. A special office was established in Shanghai. As with other companies, the FAD chose to approach the real estate companies on the basis of 'different treatment' (*qubie duidai*, 区别对待), taking each case on its merits. By the end of the year, fourteen companies had been closed or taken over, including six American real estate companies (non-operational since 1950), which were put under Chinese Government 'administration' (*daiguan*, 代管). The amount of land taken over was 31 per cent of the total and 29 per cent of buildings had been taken over.⁶⁶

Real estate companies had to be dealt with differently to other companies. The majority of their assets were fixed, not transferable; their incomes from rentals were relatively stable and their workforces small. They did not rely on government monopolies for the supply of raw materials or for the purchase of finished products as manufacturing companies did, and this made them relatively immune to 'squeezing.'⁶⁷ Apart from forbidding them to increase rents and forcing them to make repairs, there was little that could be done. 'Apart from causing difficulty for their managers' the FAD admitted, 'there are few other factors we can use to squeeze and pressure them' (*yi chucheng qi jingying kunnan wai, qita ke zi liyong zuowei ji bi tamen de tiaojian bu duo*, 以促成其经营困难外, 其他可资利用作为挤逼他们的条件不多). These comments regarding what the CCP desired but were unable to do to real estate

⁶⁶ SMA B258-2-40, *Shanghai Shi Zhengfu Waishi Chu guanyu '1953 nian li Shanghai waiguo fangdichan shang gongzuo zongjie' ji zhiling pifu*; on the takeover of the American real estate companies see SMA B7-2-285-45, *Shanghai Shi Renmin Weiyuanhui Waishi Chu guanyu song shang Waijiaobu guanyu chuli qi jia Meishang fangdichan gongsi de yijian de han* [Letter from Shanghai People's Committee Foreign Affairs Department to Ministry of Foreign Affairs regarding opinion on dealing with seven American real estate companies], 5/9/55.

⁶⁷ SMA B258-2-40, *Shanghai Shi Zhengfu Waishi Chu guanyu '1953 nian li Shanghai waiguo fangdichan shang gongzuo zongjie' ji zhiling pifu*.

companies represent a rare written admission of the 'squeezing' measures that were usually applied to other foreign companies.⁶⁸

It was decided that the Sassoons' interests would henceforth be the focus of the FAD's efforts. In early 1954, there were 26 real estate companies remaining, and the government had already developed plans for taking over ten of them. The question remained of how to deal with the remaining sixteen (twelve of which were British). The largest remaining companies were: the Shanghai Estate & Finance Company, the Cathay Land Company, the Far Eastern Investment Company and the San Sin Properties Company (which were all part of the Sassoon group): the Shanghai Land Investment Company and the American-owned China Realty Company. Between them, they owned 5,696 buildings and 1,507 *mu* of land, dwarfing the other remaining companies.⁶⁹

As they were unable to apply the usual degree of pressure to real estate companies, the FAD suggested to the Ministry of Foreign Affairs that they should be dealt with through a process of investigation into their histories. On discovering evidence of illegality, the Chinese would have reason to take them under 'administration.'⁷⁰ The Ministry expressed their agreement in principal, but they suggested that based on their experience of dealing with real estate companies in Tianjin, the FAD would not find evidence of many illegalities with which to justify takeovers. 'The most effective method', they suggested, 'is a surprise attack based on property rights, and adding difficulties from other directions' (*cong chanquan shang tuji, jia shang qita fanmian de kunnan shi zui youli de fangfa*, 从产权上突击, 加上其他方面的困难是最有力的方法). These 'other directions' included forcing them into large debts and presenting large tax demands. 'Reduce their economic income,' ordered the Ministry, 'increase their management difficulties, and then push them to offer a "hand over" or a "transfer"' (*jianshao qi jingji shouru, zengjia qi jingying kunnan, jin er cucheng qi tichu 'yizhuan' huo 'zhuanrang'*, 减少其经济收入, 增加其经营困难, 进而促成其提出'移转或'转让').⁷¹ When Trevelyan later brought up the difficulties of foreign real estate companies with an official from the Ministry of Foreign Affairs after the Geneva Conference, the official

⁶⁸ SMA B258-2-40, *Shanghai Shi Zhengfu Waishi Chu guanyu '1953 nian li Shanghai waiguo fangdichan shang gongzuo zongjie' ji zhiling pifu*.

⁶⁹ Ibid.

⁷⁰ Shao, *China, Britain*, p. 136.

⁷¹ SMA B258-2-40, *Shanghai Shi Zhengfu Waishi Chu guanyu '1953 nian li Shanghai waiguo fangdichan shang gongzuo zongjie' ji zhiling pifu*.

had rejected any suggestion that they had been ‘robbed’ (*boduo*, 剥夺) of their properties, saying that this was ‘wrong, incorrect, I cannot accept this’ (*bu dui de, cuowu de, wo bu neng jieshou*, 不对的, 错误的, 我不能接受).⁷² Indeed, they may not have been ‘robbed’ through the use of openly discriminatory legislation or requisition, but the result was the same.

On the 14th May 1954, foreign real estate companies were ordered by the authorities to stop collecting rent on their properties. This was a huge financial blow. A few were transferred to Chinese organisations, while others were permitted to close down.⁷³ By the end of 1954, the task of dealing with foreign real estate companies was declared more or less complete.⁷⁴ The eight enterprises which made up the Sassoon group were eventually transferred to the state-owned China Enterprise Company in 1958. The transfer included 57 buildings and some 540,000m² of real estate.⁷⁵

Taking over foreign real estate: ‘administration’

Commercial properties would be transferred into government hands, but how did the CCP go about acquiring privately owned properties from foreign individuals? Sorting out the city’s land and property ownership was a difficult challenge. Many foreign and Chinese land and property owners had abandoned their properties during the Pacific War or before the Communist takeover. Others had died. At first, the CCP instigated measures to take over abandoned properties, properties in serious disrepair or properties that had been claimed by people purporting to be the owners on very thin legal grounds.⁷⁶ In December 1949 the Chinese Government began a registration process to dispose of ownerless land. Property owners, Chinese or foreign, were to register their claim to the property within three years.

⁷² MFA 110-00236-04, Zhang Yue, *fu sizhang yu Yingguo Daiban Chu Du Weilian guanyu Shanghai Waishang Fangdichan Gongsi bei quxian jingzu hou wairen fangwu zhao daili ren deng jiu xiang wenti de tanhua jilü* [Minutes of discussion between Vice Section Head Zhang Yue and British Negotiating Office’s Trevelyan nine questions regarding Shanghai foreign real estate companies finding agents after ability to rent cancelled etc.], 14/7/54- 30/7/54.

⁷³ Zhou et al., *Shanghai waishi zhi*, pp. 322-3.

⁷⁴ He et al., *Shanghai waishi sishi nian*, p. 17.

⁷⁵ Zhou et al., *Shanghai waishi zhi*, p. 320.

⁷⁶ SMA B1-2-1444, *Shanghai Shi Renmin Zhengfu Waishi Chu guanyu daiguan wairen fangdichan ji weituo daili banfa de baogao* [Shanghai Peoples’ Government Foreign Affairs Department report regarding taking foreign real estate under administration and methods for transferring management], 23/4/53; *Shanghai Shi daiguan wairen fangdichan banfa caoan* [Shanghai draft methods for taking foreign real estate under administration].

Otherwise the land would become state property. In 1951 a second registration process took place with a three-month time limit, and in 1952, the government began to take control of unclaimed land and houses.⁷⁷

Private (as opposed to commercial) property constituted 15 per cent of all land and 14 per cent of all buildings owned by foreigners in Shanghai. In February 1954, the FAD submitted a report on their progress in dealing with foreign private property over the past four years. As with the real estate companies, it was admitted that 'for many years (especially before 1953)' the FAD 'had not actively considered how to deal with foreign private real estate step by step in a well-planned way' (*ji nian lai (tebie zai yijiuwusan nian qian) wei zhudong kaolü you jihua, you buzhuo de chuli waiqiao siren fangdichan*, 几年来 (特别在一九五三年前) 未主动考虑有计划, 有步骤的处理外侨私人房地产). Their work, they confessed, had been slow and disorganised.⁷⁸

On a positive note, it was reported, they had experienced some success in dealing with privately-owned foreign land: 2,534 out of 3,931 *mu* had been taken over. The majority of this was 'taken back' (*shouhui*, 收回) during the suburban land reform movements between 1951 and 1953. The FAD reported that, unlike dealing with the real estate companies, it was not necessary to 'squeeze and pressure' (*jibi*, 挤逼) foreigners into giving over private property. Foreigners were progressively leaving the city as their businesses closed, so it was simply a matter of making sure that they could not find others to take over their properties on their departure.⁷⁹

By 1954, procedures had been put in place would allow the CCP to achieve their goal of ensuring that, when foreigners left they would take over their properties. New rules prevented real estate agencies from looking after property belonging to owners overseas. Overseas owners then had to find new agents willing to take this responsibility, a nearly impossible task in the current climate.⁸⁰ Regulations on transferring the management of properties were

⁷⁷ Shao, *China, Britain*, pp. 136-7.

⁷⁸ SMA B258-2-38-1, *Shanghaishi Renmin Zhengfu Waishi Chu, si nian lai Shanghai chuli waiqiao siren fangdichan gongzuo baogao* [Shanghai People's Government Foreign Affairs Department, work report on dealing with foreign private real estate over the last four years], February 1954.

⁷⁹ Ibid.

⁸⁰ TNA FO 676/493, Foreign business interest in China: British, 1954, Part 2; Trevelyan, Beijing to C.T. Crowe, Foreign Office, 5/10/54.

strengthened in April 1953 with a view to 'strictly controlling' (*yange kongzhi*, 严格控制) the disposal of foreign private property so as to be able to take it over more quickly.⁸¹ Around seventy per cent of all buildings taken over so far had been first put under 'administration' (*daiguan*, 代管) for a set period before becoming the property of the state. Many buildings had been taken as they either had no one looking after them or because the owner had died and there was no legal inheritor. Putting buildings under 'administration' was the preferred technique for taking them over, because it provided a legal justification and was a relatively stable process. Owners could, theoretically, claim their property back during the period of 'administration', but very few did so. Only two or three property owners had requested the return of their properties by April 1953.⁸² Very few were expropriated: this measure was only used when absolutely necessary for military purposes or for municipal construction.⁸³

Properties could also be put under 'administration' if the owner's title was incomplete or unclear, which was often the case in this city which had seen so many changes of government and so much disruption since 1937.⁸⁴ 'The special situation relating to the real estate deeds of foreigners in Shanghai', noted one FAD commentator in 1955, 'is very complicated and chaotic, it is also our powerful handle [tool] for dealing with foreign real estate' (*Shanghai wairen teyou de fangdichan qizheng qingkuang, shi fuza er hunluan de, zhe ye shi women chuli wairen fangdichan de yi ge youli babing*, 上海外人特有的房地产契证情况, 是很复杂而混乱的, 这也是我们处理外人房地产的一个有力把柄).⁸⁵ The FAD would then dispute the ownership of the property. The properties of those owners who could not support their claims with definitive proof were put under state control. These measures were, Trevelyan noted, the same as those used against Chinese property-holders as the state pushed to get as much property transferred into its hands as possible. An extra layer of difficulty was added as many foreigners had registered their properties in the names of Chinese associates before 1949, to

⁸¹ SMA B1-2-1444, *Shanghai Shi Renmin Zhengfu Waishi Chu guanyu daiguan wairen fangdichan ji weituo daili banfa de baogao*; *Guanyu 'Shanghai Shi wairen fangdichan weituo daili banfa' zhi shuoming* [Clarification on 'Methods for Foreigners in Shanghai to transfer management of real estate'].

⁸² *Ibid.*

⁸³ SMA B258-2-38-1, *Shanghaishi Renmin Zhengfu Waishi Chu, si nian lai Shanghai chuli waiqiao siren fangdichan gongzuo baogao*.

⁸⁴ Zhou et al., *Shanghai waishi zhi*, pp. 322-3.

⁸⁵ SMA B1-2-1611, *Shanghai Shi Waishi Chu guanyu song wairen fangdichan qizheng qingkuang shuoming* [Shanghai Foreign Affairs Department explanation regarding sending of situation of foreign real estate], January. 1955.

evade strict property regulations enforced by the Guomindang.⁸⁶ The final small piece of foreign privately-owned real estate was not transferred into the government's hands until 1964.⁸⁷

Taking over foreign real estate: repairs to dangerous properties

Other pragmatic techniques based on ground-level realities were also employed to take over foreign-owned properties. War, economic crises and the annual typhoons that hit the city had all contributed to a general dilapidation of buildings that was now a major risk to public safety. The Public Security Bureau counted 10,999 unsafe buildings in 1950. 'Exploitative' landlords could not be trusted to carry out much-needed repairs of their own accord. Helping ordinary citizens to have their housing repaired was presented as a way in which the CCP were able to make direct improvements in peoples' lives. Under the 'imperialists' and the 'reactionaries', one CCP report claimed, many citizens were killed or injured by unsafe buildings every year. The old administrations, they alleged, had done nothing about it, exposing their true lack of concern for ordinary people.⁸⁸

In March 1950, the Public Works Bureau established measures to compel Chinese and foreign property-owners to make repairs to dangerous buildings. Owners who were unable to pay for repairs were instructed to seek loans from the government banks or face going to court.⁸⁹ As with many of the CCP's policies in the early years this plan had looked good on paper. The Public Works Bureau reported in 1953, however, that when it came to implementation, it had mostly been a failure. They had so much mundane work to do that they had been unable to focus on the broader policy goals. Radical transformation was held in abeyance in the name of day-to-day administration. Even had they prioritised change, they would have lacked the workmen and supplies needed to actually carry out the repairs.⁹⁰

⁸⁶ TNA FO 676/493, Foreign business interest in China: British, 1954, Part 2; Trevelyan, Beijing to C.T. Crowe, Foreign Office, 5/10/54; This was essentially a reversal of the old pre-War practice of registering Chinese assets under foreign names in order to protect them.

⁸⁷ Zhou et al., *Shanghai waishi zhi*, p. 323.

⁸⁸ SMA B1-1-1220, *Shanghai Shi Renmin Zhengfu, Shi Gongwu Ju deng niding ben shi chuli weixian jianzhu banfa* [Shanghai People's Government, Public Works Bureau etc drafting methods for dealing with dangerous buildings], 1950[-1954]; *Yi jiu wu san nian chuli ben shi siyou weixian zhuwu zonghe baogao* [Summary report on dealing with privately owned dangerous residences in 1953], March 1954.

⁸⁹ Ibid.

⁹⁰ SMA B1-1-1220, *chuli weixian jianzhu de baogao*.

In August 1951, after a series of accidents involving unsafe buildings the authorities declared that any structure that the owner refused to repair when ordered to do so would be put under 'administration.' These rules, directed at both Chinese and foreign residents, later came to be adopted as a useful tool with which to take over foreign real estate outright and to put pressure on the larger foreign real estate companies through denying them revenue.⁹¹

The Shanghai FAD reported to the Ministry of Foreign Affairs in October 1953 that taking over foreign-owned buildings on the premise that they were in dangerous disrepair was but one more method being used in the 1953 push to 'purge' the remaining 'imperialist economic influence.' Dangerous foreign properties and dangerous Chinese properties were, they suggested, 'to be dealt with differently in principle.' 'Measures should be taken to resolve the ownership of the former' the report stated, meaning that they should be taken over completely. The latter could 'be supervised and assisted to make repairs' (*yuanze shang yousuo qubie. Qianzhe ying shefa jie jue qi chanquan, huozhe ke ducu bing xiezhu qi xiuli*, 原则上有所区别。前者应设法解决其产权，后者可督促并协助其修理).⁹² It was through these processes that as much as fifty per cent of private British housing property was transferred into Chinese Government hands.⁹³

A typical example of this was when the manager representing two of Sassoons' interests (the Shanghai Estates & Finance Company and the Far Eastern Investment Company) was called to the Public Works Bureau in April 1954 and instructed to plan for (and to begin to implement) repairs to nearly 260 houses within two weeks. This was an impossible task. When the two weeks expired, the buildings were taken under government 'administration.' The company not only lost rental incomes: they were also expected to keep paying the maintenance staff and to pay for all the repairs.⁹⁴ As many properties were in poor condition following years of neglect, it was hard to argue that repairs were unnecessary.⁹⁵

⁹¹ Shao, *China, Britain*, pp. 136-7.

⁹² SMA B258-2-50-1, *Shanghai Shi Renmin Zhengfu Waishi Chu guanyu chuli wairen weixian fangwu zhi yuanzexing yijian ji daiti 'guanyu chuli wairen weixian fangwu buchong zhishi' qing he shi de baogao* [Shanghai People's Government Foreign Affairs Department report requesting instructions on principled opinion regarding dangerous foreign buildings and drafting of 'additional instructions on dealing with dangerous foreign buildings], 24/10/53.

⁹³ Shao, *China, Britain*, pp. 136-7.

⁹⁴ TNA FO 676/498, Foreign Business Interests in China (British), Arnhold Trading Co., 1954; Veitch to Chancery, No. 115, 23/4/54; S. Kosovsky, E.D. Sassoon & Co. Ltd. Shanghai to A. Veitch, 19/4/54.

⁹⁵ TNA FO 676/493, Foreign business interest in China: British, 1954, Part 2; Trevelyan, Beijing to C.T. Crowe, Foreign Office, 5/10/54.

An enormous list of expensive repairs was also delivered to the Hong Kong Shanghai Hotel Company, the owners of the 'old and gloomy' Astor House. The repairs were to be completed within two months. The Hong Kong head office refused to remit funds for repairs until rents owed to them by government organisations were paid. They also argued that, although Astor House was indeed in poor shape, it was not dangerous. In reply to this ultimatum, the Housing Bureau gave the hotel company a heavy fine and told them that they would be taking over their properties for one year to conduct repairs on their behalf. The company saw no prospect for future income from the property, and so refused to remit in the hope that the Chinese would seize their assets.⁹⁶

Figure 22: Astor House Hotel and Garden Bridge



⁹⁶ TNA FO 676/518, Foreign business interest in China: Hong Kong Shanghai Hotel Co, 1954; Foreign Office to Shanghai, No. 101, 13/8/54; Veitch, Shanghai to Foreign Office, No. 69, 28/8/54; Extract of *Jiefang Ribao*, 24/7/53; Translation of House and Land Bureau's 'Decision,' 20/8/54; Veitch, Shanghai to W.I. Combs, Beijing, No. 290, 24/8/54; P.G.F. Dalton, Colonial Secretariat Hong Kong, to W.I. Combs, Beijing, 17/9/54.

The Hong Kong Shanghai Hotel Company was not the only ones angling for such a result. In December 1954, the manager of the Shanghai Land Investment Company wrote to Fred Garner, the British Consul in Shanghai, informing him of two accidents that had occurred on their Shanghai properties. In one a maidservant had been hospitalised following a fall from a rotted staircase, and at another property, roof tiles had fallen from a house onto the street below, injuring a man. The manager, who was named Read, was in an uncomfortable position. He did not have the money to make repairs and none was forthcoming from his superiors in Hong Kong. 'The houses', he wrote, 'are deteriorating every day and are in a very dangerous condition.'⁹⁷ The directors were deliberately allowing their properties to decay in order to force the Chinese into taking them over.

The Foreign Office thought this policy naïve. Previous experience had taught them that the Chinese would not 'swerve from their established policy of waiting until a firm was forced to give itself up merely because a few lives might be lost in accidents before the policy bore fruit.' They feared that Read would be held personally responsible and might even be imprisoned should any further injuries occur.⁹⁸ This was yet another case of divergence between the interests of the directors overseas and managers on the spot. In August 1955, the authorities placed a large number of the firm's properties under 'administration' and levied a heavy fine.⁹⁹ Read urged his superiors to offer some assets to the Chinese to cover their liabilities. The directors refused and so Read resigned.¹⁰⁰ The company eventually gave in and transferred their assets in April 1956.¹⁰¹

Finding themselves unable to 'squeeze' real estate companies in the same manner as they squeezed manufacturing and trading concerns, the CCP had developed new methods to put pressure on property owners and to take over their assets while avoiding expropriations and preserving a thin veneer of legality. Once again, the methods used were similar to those employed against Chinese property owners but employed in a more purposeful manner. The

⁹⁷ TNA FO 676/519, Foreign Business Interests in China (British); Shanghai Land Investment Co, 1954; F.F. Garner Shanghai to Foreign Office, 30/12/54; G.T. Read, Shanghai Land Investment Company to F.F. Garner, 29/12/54. Emphasis in source.

⁹⁸ TNA FO 676/519, Foreign Business Interests in China (British); Shanghai Land Investment Co, 1954; D.R. Hurd, memo, 5/1/55; F.F. Garner to Foreign Office, No. 416, 23/11/54.

⁹⁹ TNA FO 676/532, Foreign Business Interests in China (British); Shanghai Land Investment Co., 1955; Bureau of Real Estate Administration, Shanghai, to Shanghai Land Investment Co., 26/8/55.

¹⁰⁰ TNA FO 676/532, Foreign Business Interests in China (British); Shanghai Land Investment Co., 1955; From Shanghai to Foreign Office, No. 553, 29/8/55; Garner to Foreign Office, No. 73, 2/11/55.

¹⁰¹ Lu Wenda, *Shanghai Fangdichan Zhi*, pp. 146-8.

Shanghai authorities' admission that before 1953 they had been too overwhelmed to focus on the big picture, and that they did not really have a strategy until Beijing began to pressure for faster results, demonstrates that the CCP's policy towards foreigners was much more provisional and ill-planned than has been previously recognised.

Foreign banks

Among the last British enterprises to leave were the three largest banks: the Hongkong & Shanghai Banking Corporation, the Chartered Bank and the Mercantile Bank of India and China.¹⁰² HSBC, which was the largest and most symbolically important of the three banks, had decided to minimise its losses early on. They had closed their branches outside Shanghai by January 1950, with the exception of a few branches that had become entangled in closure-related disputes that dragged on for years. Like most other foreign enterprises in Shanghai, HSBC were 'squeezed.'¹⁰³ Between 1950 and 1954, Hong Kong had to remit approximately HK \$10 million into Shanghai to cover mounting labour costs, high taxes and the refund of pre-Liberation account liabilities (the government inflated pre-1949 deposit amounts to avoid these balances being wiped out by currency depreciation. This worked in favour of depositors and against the bank¹⁰⁴). The three British banks approached the Shanghai authorities in July 1952 and informed them that they wished to close.¹⁰⁵ It was not until the spring of 1955 that all three successfully transferred their assets in exchange for their liabilities to the state-owned Da Hua Enterprise Company.¹⁰⁶

The main obstacle to HSBC's closure had been the issue of what to do with the banks' reserves of US dollars, which could not be transferred into Chinese hands, due to America's financial embargo against China. The issue was eventually side-lined by the Chinese, who were more concerned with persuading HSBC and the Chartered Bank to retain small organisations in China. As the dollar issue could not be resolved, HSBC were unable to withdraw completely: a 'responsible person' had to remain in Shanghai. A small office with

¹⁰² TNA FO 676/493, Foreign business interest in China: British, 1954, Part 2; Colin Crowe, Foreign Office to W.I. Combs, Beijing, 30/4/54.

¹⁰³ King, *Hongkong and Shanghai Banking Corporation*, Vol.4, pp. 382-95; Shao, *China, Britain*, pp. 138-43.

¹⁰⁴ HSBC SHGI 0788, Refund of pre-Liberation Deposits, 1953.

¹⁰⁵ King, *Hongkong and Shanghai Banking Corporation*, Vol.4, pp. 382-95; Shao, *China, Britain*, pp. 138-43.

¹⁰⁶ Zhou *et al.*, *Shanghai waishi zhi*, p. 319.

limited duties remained throughout the Cultural Revolution and into the reform era.¹⁰⁷ In 1956, the bank's famous building on the Bund became the headquarters of the Shanghai People's Government.¹⁰⁸

As discussed previously, it is difficult to trace the careers of former Chinese employees of foreign businesses after they were paid off. One former HSBC employee remembered that there had been 'a great clapping and welcome' from the 150 Chinese staff as the Communist officials walked into the bank when the main office was taken over in 1955. Only around a dozen staff were retained in the new organisation, however, and the rest were reportedly 'sent to all sorts of places all over the country.'¹⁰⁹ It seems that at the very least the majority of paid off staff of foreign companies were not permitted to hold onto the large sums of cash that they received as severance pay. Paid-off employees of the Arnhold Trading Company were obliged to buy large numbers of government bonds and to place the rest of the money in the bank. It was then released to them in controlled drawings.¹¹⁰

The China Engineers and Patons & Baldwins

In public, the Communists stuck to the line presented at Geneva: namely, that they had not discriminated against foreign firms. The secretive nature of their policy towards foreign businesses means that it is difficult for historians to find Chinese archival sources that demonstrate how the final 'squeeze' of British businesses was actually carried out. Occasionally, however, archival sources do allow a rare glimpse of the CCP's policies and methods. One such document is a report sent from the Shanghai FAD to the Shanghai Municipal Committee in October 1955. This report was titled 'Opinion regarding increasing control over and pressure on the production of the British owned Shanghai Worsted Mill and Patons & Baldwins' (*Guanyu jinyibu kongzhi yasuo Ying shang Shanghai Maofang Rong Chang ji Mifeng Rongxian shengchan de yijian*, 关于进一步控制压缩英商上海毛纺绒厂

¹⁰⁷ King, *Hongkong and Shanghai Banking Corporation*, Vol.4, pp. 382-95; Shao, *China, Britain*, pp. 139-41.

¹⁰⁸ Zhou *et al.*, *Shanghai waishi zhi*, p. 319.

¹⁰⁹ HSBC, 1641-055-C, Oral History, William Alexander Stewart.

¹¹⁰ TNA FO 676/493, Foreign business interest in China: British, 1954, Part 2; China Affairs Committee, Minutes of Meeting, 14/4/54, Hong Kong.

及密丰绒线生产的意见). Although this document relates to two specific firms, it is indicative of wider policies and attitudes.¹¹¹

Before addressing the report, we should briefly consider the companies in question. They were two of the largest textile mills in Shanghai. The Shanghai Worsted Mill belonged to the China Engineers Ltd., an engineering and import company managed by William Charles Gomersall. Gomersall was a strong advocate of the 'stay put' policy. His China Engineers had huge fixed assets in Shanghai. As well as owning the mill, Gomersall had acquired the China Printing & Finishing Company from its Manchester owners, the Calico Printers' Association. In August 1949, China Printing & Finishing had been experiencing severe financial difficulties and had applied for closure, threatening the jobs of its 2,000 workers. Gomersall had stepped in and leased the mill, demonstrating, he said, his faith in the new government. In October 1950, China Engineers acquired all of the Calico Printers' Association's shares in the company.¹¹² These investments represented large fixed assets that would have to remain in Shanghai. As other firms withdrew, Gomersall became an increasingly desperate-sounding lone voice as he continued to advocate improved economic and political relations with the Communist government.¹¹³

In Gomersall's opinion, the fast pace of withdrawal from China was being set by John Keswick of Jardine Matheson. Keswick was keen to shed his unprofitable manufacturing assets in Shanghai and to begin a new era of trade with Communist China via Hong Kong.¹¹⁴ This new approach was facilitated by the fact that Jardine Matheson had long re-oriented their trade away from unstable China and towards Japan and south-east Asia. More ships went south from Hong Kong than went northwards along the China coast.¹¹⁵

¹¹¹ SMA Q22-1-58, *Shanghai Shi Ren Wei Waishi Chu guanyu kongzhi Ying shang maofang chang shengchan wenti de baogao ji Zhongguo zhengzhi pin gongsi Shanghai caigou gongying zhan yu Mifeng*, *Shanghai liang chang de laiwang wenshu* [Shanghai Municipal Peoples Government Foreign Affairs Department report on increasing control over British wool factories and correspondence between China Knitwear Company Shanghai Purchasing and Supply Station and Patons & Baldwins and Shanghai Worsted Mills], 21/11/55.

¹¹² TNA FO 676/521, Foreign business interest in China: The China Engineers Ltd., 1954; China Engineers Ltd., Shanghai to the Ministry of Foreign Trade, Beijing, 6/6/54.

¹¹³ TNA FO 676/534, Foreign business interest in China: The China Engineers Ltd., 1955; Memorandum on the Position of the China Engineers Ltd. in China, Notes Prepared for H.M. Minister – Hongkong, 6/7/55; the China Engineers were the majority shareholders in the Shanghai Worsted Mill Ltd. with 30 per cent of the shares.

¹¹⁴ Ibid.

¹¹⁵ TNA FO 371/75938, Position of British subjects in China: evacuation from Shanghai; Consul General Shanghai to Foreign Office, 7/2/49; MFA 118-00014-07, *shangtao Yingguo shangren cheli wenti*; 1952 nian 5 yue 30 ri guanyu Yingshang wenti de huiyi fayan jilü.

In 1953, the cotton mill had made its largest profit ever (£500,000) as the government had fixed the prices of cotton and cloth to give mills a boost after the disruptive Five Antis movement. The majority of the larger Chinese mills had by this time become state-private enterprises. They had been forced into this position through their inability to meet the state's tax demands. The China Printing & Finishing Company and the other mills, Chinese and foreign, that were yet to become state or state-private organisations worked essentially as contractors processing orders for the state working for small profit margins.¹¹⁶ As profits made in Shanghai could not be remitted abroad, they accumulated. This meant that the company was far less vulnerable to squeezing than other British companies, which had little cash in Shanghai and were very susceptible to sudden demands for taxes or other liabilities.¹¹⁷

The other company discussed in the October 1955 report was Patons & Baldwins. In the grand scheme of British business in Shanghai, Patons & Baldwins were a relatively new company. Since the turn of the century, they had exported British yarn to China, but in the face of Japanese competition, they had decided to build a worsted mill in Shanghai in 1934. Their manager, John Kenyon, considered this a crucial step in the development of Shanghai's textile industry. He later wrote that he could not help but feel jealous as others emulated them. Three years later, the Sino-Japanese War broke out. From 1937 onwards production was disrupted. The factory was seized by the Japanese in 1941 and was recovered in 1945. After the currency crisis of 1947, the Guomindang Government imposed a series of controls on foreign exchange. This meant that profits accrued were not remitted abroad. Instead, they were reinvested in Shanghai. Patons & Baldwins built a welfare building for their workers, 'the like of which did not exist in China', with changing rooms and baths, a cafeteria-style canteen with a hall for entertainment, a nursery, a clinic and a library.¹¹⁸

As the Communists approached in 1949, Kenyon had decided that it would have been a 'poor do' for Patons & Baldwins to 'shut up shop and run.' They decided that, although times

¹¹⁶ TNA FO 676/493, Foreign business interest in China: British, 1954, Part 2; Colin Crowe, Foreign Office to W.I. Combs, Beijing, 30/4/54; Ecklund, 'Protracted Expropriation,' pp. 239-240.

¹¹⁷ SMA Q22-1-58, *Shanghai Shi Ren Wei Waishi Chu guanyu kongzhi Ying shang maofang chang shengchan wenti de baogao*.

¹¹⁸ TNA FO 676/499, Foreign business interest in China: Patons and Baldwins, 1954; C.T. Crowe to H. Trevelyan, 19/7/54, enclosing Memorandum on Patons & Baldwins Limited, 6/7/54.

would be hard they would take a temporary financial hit as the price of 'sticking it out.'¹¹⁹ Kenyon saw the position of his company as very different to that of the China Engineers. The Chinese, he said, would be well aware that Gomersall had bought the China Printing & Finishing Company on the cheap. Gomersall had paid a nominal fee of £100,000 and therefore this was the maximum sum he could possibly expect in return. Therefore, he was 'batting under a distinct handicap.' Patons & Baldwins, on the other hand, had worked to establish themselves in Shanghai, and had not yet recouped even a portion of their investment. They were, he said, a 'legitimate business' rather than a 'speculative investment'.¹²⁰ Patons & Baldwins were relatively immune to 'squeezing', due to their large stocks.¹²¹

As other large British concerns withdrew, the China Engineers and Patons & Baldwins committed themselves to persevering. The partial thaw in Sino-British relations after Geneva made Gomersall optimistic about the prospect of being allowed to continue production on a fair basis, or of getting something from the Chinese in exchange for his firm's assets.¹²² He estimated that perhaps only a tenth of the £200,000,000-worth of British assets were left. Perhaps, he hoped, one-twentieth might still be recovered.¹²³

Kenyon stressed in correspondence with the Foreign Office that, unlike Gomersall, he was not 'wearing rosy spectacles.' Rather, he was mindful of the fact that his firm had very large resources of stocks and money. Therefore, he suggested, the

technique of squeezing us out will have to be a bit more overt than the normal one of 'inability to carry on', and we would greatly prefer to be requisitioned rather than manoeuvred into the position off handing over all our assets against our liabilities.¹²⁴

In other words, policies designed at 'squeezing' Patons & Baldwins would have to be openly discriminatory. Requisition would be welcomed, because this would mean that they would

¹¹⁹ TNA FO 676/499, Foreign business interest in China: Patons and Baldwins, 1954; C.T. Crowe to H. Trevelyan, 19/7/54; Kenyon, Patons & Baldwins, Limited memorandum to Morgan Phillips MP, 6/7/54.

¹²⁰ TNA FO 676/531, Foreign business interest in China: Patons and Baldwins, 1955; Kenyon to Crowe, 8/2/55.

¹²¹ TNA FO 676/499, Foreign business interest in China: Patons and Baldwins, 1954; Trevelyan to Crowe, 20/12/54.

¹²² TNA FO 676/534, Foreign business interest in China: The China Engineers Ltd., 1955; Memorandum.

¹²³ Ibid.

¹²⁴ TNA FO 371/108084, Closure of British firms in China; detention of British businessmen; direct approaches by British firms to the Central Government of China, 1953 (part 3, pp 105 to end); J.S. Kenyon, Patons & Baldwins Ltd. to Under-Secretary of State, Foreign Office, 8/12/53.

retain a claim to their properties. Of course, this was not how their decision to remain in China was presented to the Chinese; Patons & Baldwins repeatedly stressed that they were keen to continue, on the condition that they be allowed to remit profits back home. If this was impossible, they said, the Chinese should be willing to purchase the firm's factory and assets for a fair price.¹²⁵ When other firms were closing down, suggested Kenyon, there was 'nothing wrong with appearing (we repeat appearing) to take a completely opposite line.'¹²⁶

Gomersall's two textile factories were still working in 1954, but they were doing so entirely on the government's terms. The government supplied the raw materials, directed the quantities of goods to be produced and paid for the finished product. The amounts paid to the China Printing & Finishing Company covered their expenses, but the Shanghai Worsted Mill could not even cover their costs. Their 'vast resources' were being slowly drained:

thus we are managers and owners in name only with the responsibility of carrying on, but without the slightest authority or discretion as to the methods by which we consider it desirable to carry on.¹²⁷

When Gomersall finally felt that he had been defeated in his attempts to lobby for an improvement in Sino-British trade, he decided to wind down his operations in China. He began by approaching the Textile Bureau in December 1954 and offering to sell his mill. It was government policy, he understood, to take over private mills. The Bureau replied that they were surprised to hear this. As his mill was making a profit, they said, they had no intention of taking it over.¹²⁸ Numerous other attempts in 1955 also met with negative replies or were simply ignored.¹²⁹ Gomersall saw this as very unfair; if Swire, Jardine Matheson, HSBC and the others could negotiate their withdrawal, why couldn't China Engineers? He felt especially hurt by the fact that they had 'adopted a more friendly attitude to the People's

¹²⁵ TNA FO 676/499, Foreign business interest in China: Patons and Baldwins, 1954; Foreign Office to Shanghai, No. 559, 17/7/54; Foreign Office to Shanghai, No. 616, 27/7/54.

¹²⁶ TNA FO 371/108084, Closure of British firms in China; detention of British businessmen; direct approaches by British firms to the Central Government of China, 1953 (part 3, pp 105 to end); J.S. Kenyon, Patons & Baldwins Ltd. to Under-Secretary of State, Foreign Office, telegram to be forwarded to Patons & Baldwins manager Shanghai, 11/12/53.

¹²⁷ TNA FO 676/534, Foreign business interest in China: The China Engineers Ltd., 1955.

¹²⁸ TNA FO 676/521, Foreign business interest in China: The China Engineers Ltd., 1954; Shanghai to Foreign Office, No. 33, 20/12/54.

¹²⁹ TNA FO 676/534, Foreign business interest in China: The China Engineers Ltd., 1955; W.C. Gomersall, China Engineers, to Trevelyan, 23/3/55; Diary of a Meeting Held at the FAD on Thursday, 8/6/55; Foreign Office to Zhang Hanfu, Draft, 9/12/55.

Government than any other firm.’¹³⁰ By the end of 1955, Gomersall’s and Kenyon’s mills were be the only non-state mills remaining.¹³¹ The Chinese also refused to purchase Paton’s mill, saying that they would like the company to carry on in China. Kenyon interpreted this as meaning that ‘they realise that it would be difficult for them to take over the firm now without compensation, but hope to be in a position to do so later on.’¹³²

The Chinese had no intention of allowing these two British companies to remain in Shanghai in the long term, nor would they contemplate paying money for assets they could later take for free. The problem was that these two companies were relatively immune at present to ‘squeezing’ as they had large stocks of capital. It would be difficult to manoeuvre them into a position where they would consider offering up all of their assets for all of their liabilities. The question of how to do this was the subject of the October 1955 secret report mentioned at the start of this section. ‘In order to weaken the Shanghai Worsted Mill’s and Patons & Baldwins’ economic foundations,’ the report stated,

to increase their difficulties, and to rattle their belief in continuing to wait and see, so that we can deal with them ... we plan to progressively increase control over and pressure on these two enterprises.¹³³

The large stocks of raw materials built up by both companies were used up in 1954, and so both joined the government’s supply and purchase organisation. The government could now fix the prices of raw materials and finished products to keep their profits low. After the companies joined the government scheme, the FAD reported, ‘we deliberately reduced their workloads, and their incomes’ (*yihou women you yiyi xuejian qi renwu, shouru jianshao*, 以后我们有意义削减其任务, 收入减少). Though they often now ran at net losses, they still

¹³⁰ TNA FO 676/534, Foreign business interest in China: The China Engineers Ltd., 1955; Diary of a Meeting Held at the FAD on Thursday, 7/7/55; Diary of a Meeting Held at the FAD on Thursday, 23/6/55.

¹³¹ TNA FO 676/534, Foreign business interest in China: The China Engineers Ltd., 1955; Gomersall to Trevelyan, 6/4/55.

¹³² TNA FO 676/531, Foreign business interest in China: Patons and Baldwins, 1955; Trevelyan to Foreign Office, No. 133, 2/2/55.

¹³³ SMA Q22-1-58, *Shanghai Shi Ren Wei Waishi Chu guanyu kongzhi Ying shang maofang chang shengchan wenti de baogao*; ‘In order to weaken...’ (*Wei xueruo ShangMao, Mifeng liang qiye de jingji jichu, zengjia qi kunnan, dongyao qi jixu guanwang de xinxin, yi bianyu women chuli, women yu Huadong Fangzhi Guanli Ju, Zhongguo Baihuo Gongsi Shanghai Caigou Gongying Zhan, Shanghai Shi Di San Shangye Ju lianxi Yanjiu hou, ni dui liang qiye de shengchan zuo jinyibu de kongzhi, yasuo*, 为削弱上毛, 密丰两企业的经济基础, 增加其困难, 动摇其继续观望的信心, 以便于我们处理, 我们与华东纺织管理局, 中国百货公司上海采购供应站, 上海市第三商业局联系研究后, 拟对两企业的生产作进一步的控制, 压缩).

had ample currency reserves. These reserves, cadres noted, had now become 'the main impediment to our dealing with these two companies' (*yi chengwei women chuli liang qiye zui da zhang'ai*, 已成为我们处理两企业最大障碍).¹³⁴

Various administrative measures were employed to force the two companies to use up their reserves, such as forcing them to pay for raw materials in cash six months in advance. This left them open to fluctuations in purchase prices. This was clearly a discriminatory practice, the FAD recognised, but the British would not dare to refuse to comply. Another suggested policy was to enter into agreements with companies and then to delay the date of purchase in order to create a backlog of finished goods. Without cash from sales they would find it difficult to purchase raw materials (*women keyi jinlian tuichi shougou riqi, yi jiya qi chengpin, yiji yiya qi xianjin*, 我们可以尽量推迟收购日期, 以积压其成品, 亦即积压其现金). This plan was not adopted for the time being, as the difference in treatment between the British firms and Chinese state and private firms would be 'too obvious' (*tai tuchu*, 太突出) and it would be too difficult to justify (*er liyou you bijiao qianqiang*, 而理由又比较牵强). Even at this late stage in the 'period of impatience', more subtle measures and plausible deniability were preferred. The CCP wanted to exercise caution to preserve the thin veil of legality that covered their actions.¹³⁵

The authorities would 'also arrange some quite complicated difficulties for these two companies in production, and give them low profit goods to process' (*hai keyi dui liang qiye buzhi shengchan shang bijiao fuza kunnan, zhiliang yaoqiu bijiao yange, er lirun jiao di de pinliang*, 还可以对两企业布置生产上比较复杂困难, 质量要求比较严格, 而利润较低的品量). 'If the above measures can be implemented' the report concluded,

within a short period we can change the 'stable' situation in these two companies, and break the two companies' capitalists willingness to preserve the status quo, their delusion of planning for the long-term and waiting and seeing, in order to produce a situation advantageous to our dealing with them.¹³⁶

¹³⁴ SMA Q22-1-58, *Shanghai Shi Ren Wei Waishi Chu guanyu kongzhi Ying shang maofang chang shengchan wenti de baogao*.

¹³⁵ Ibid.

¹³⁶ Ibid. 'If the above measures...' (*ru yishang banfa kexing, ze zai duan shiqi nei, women jiu keyi gaibian liang qiye 'anding' xian zhuang, dasuan changqi dengdai guanwang de youxiang wei women de chuli zaocheng youli*

In October 1955, Gomersall attempted to offer only the assets of the China Engineers' trading company in an all-assets-for-all-liabilities transfer. This offer was rejected, and it became clear that the Chinese would only settle for a complete handover of all of his assets, including the two textile mills.¹³⁷ In December, the FAD informed Gomersall that they were unable to find an organisation willing to take over the assets of China Engineers.¹³⁸ This seems to have been a delaying tactic; the Chinese were unwilling to simply take Gomersall's companies piecemeal or without first bleeding them dry.¹³⁹ The companies were finally transferred into Chinese hands in 1956. Gomersall had been proven wrong in his belief that there was a future for British business in China. British companies had been tolerated and used in the short term in order to avoid unemployment and economic disruption, but they did not feature in the CCP's long-term plans for socialist Shanghai.¹⁴⁰

On hearing that Gomersall's attempts to get something back on his investment had been to no avail, Patons & Baldwins decided to stop trying to close, and chose instead to continue to try to run their mills. Extinction was all but inevitable, they realised, but it was a question of how to comport themselves in the meantime. Kenyon concluded that 'with most of the other foreign firms having either been expropriated or thrown up the sponge, it can't be long before our turn comes. It seems therefore a pity not to wait a little bit longer rather than force events by our own action.'¹⁴¹ This policy seems to have paid off as Patons & Baldwins' factories were eventually purchased by the Chinese authorities in June 1959.¹⁴²

de jumian, 如以上办法可行, 则在短时期内, 我们就可以改变两企业'安定'的现状, 打破两企业资方安于现状, 打算长期等待观望的幻想, 为我们的处理造成有利的局面)。

¹³⁷ TNA FO 676/534, Foreign business interest in China: The China Engineers Ltd., 1955; Garner, Shanghai, No. 82, 31/10/55.

¹³⁸ TNA FO 676/534, Foreign business interest in China: The China Engineers Ltd., 1955, Shanghai to Beijing, No. 409, 28/12/55.

¹³⁹ TNA FO 676/534, Foreign business interest in China: The China Engineers Ltd., 1955, W.C. Gomersall to P. Dalton, Hong Kong, 30/12/55.

¹⁴⁰ William Charles Gomersall Obituary, *Electrical Engineers*, p. 605.

¹⁴¹ TNA FO 676/531, Foreign business interest in China: Patons and Baldwins, 1955; Kenyon to Crowe, 8/2/55.

¹⁴² Shao, *China, Britain*, pp. 139, 143.

Conclusion

After the announcement of the 'transition to socialism' in 1953, the CCP sped up the process of taking over foreign firms. Their primary tactic was to 'squeeze' foreign companies until they voluntarily offered all of their assets in exchange for discharging their liabilities. They employed this clever tactic in order to avoid confrontational requisitions which would give rise to claims for compensation. This technique worked particularly well for dealing with manufacturing concerns and for businesses with large workforces. The majority of firms wished to avoid giving over their assets in the hope of selling them, or at the very least having them requisitioned in order to be able to claim compensation at a later date. Despite the improvement in Sino-British relations that followed the Geneva Conference in 1954, most were eventually compelled to transfer their assets in the end. Firms such as S. Behr & Mathew had to balance their desire to hold out with the obvious human costs paid by their local managers. When it came to dealing with foreign real estate companies and others which could not be easily pressured, such as the China Engineers and Patons & Baldwins, the CCP had to be pragmatic and adapt their strategy.

The processes by which the CCP took over British firms tell us much about their approach to the transformation of Shanghai's economy more widely. The elimination of foreign businesses occurred alongside the socialisation of the Chinese economy, but was more targeted and direct. New perspectives on the timing of the transition to socialism call the idea that the Chinese had a grand plan for economic transformation from the early 1950s into question. Their policy was often more contingent, more ill-conceived and more based on perceived current realities than has previously been believed. It is extremely likely that the elimination of foreign firms was accelerated as the Chinese private sector began to fail and was eventually eliminated. Policy towards British businesses was at all times grounded by consideration of the local consequences. Ground-level cadres waited to act until they were in a position of strength: they recognised their weaknesses in terms of manpower, resources and skills and worked around these problems through pragmatic manoeuvring under the cover of strict secrecy.

The withdrawal of British companies was not the end of commercial interaction between Britain and China. The larger trading firms continued trade via Hong Kong throughout the

1960s and 1970s into the reform era thirty years later. They were joined in this endeavour by the 'Icebreakers,' the 48 Group of leftist businessmen in the United Kingdom who had made contact with the Chinese in the early 1950s. Some firms, including HSBC, maintained small offices in Shanghai. While the relatively upbeat official narrative born of consultation between Keswick, the China Association and the Foreign Office became one of a switch from 'trade in China to trade with China' via Hong Kong. Many firms which had large fixed assets (like the China Engineers) were unable to reorient their trade and therefore lost out entirely.

On the 4th January 1956, Zhang Hanfu reported to Zhou Enlai that there were now only 110 foreign enterprises remaining in the whole of China, down from 1,104 in 1949. In February the Ministry of Foreign Affairs issued a document entitled 'Plan for continuing to deal with the remaining economic influence of capitalist countries in China' (*jixu chuli zibenzhuyi guojia zai Hua canyu jingji shili fangan*, 继续处理资本主义国家在华残余经济势力方案). By August only 66 remained, 16 of which were in Shanghai. The largest of these firms was Patons & Baldwins which closed in 1959.¹⁴³ In 1967 there still remained five small foreign owned shops and a dairy, none of which were British-owned.¹⁴⁴

¹⁴³ Zhang Hanfu zhuan, pp. 146, 150-151.

¹⁴⁴ Zhou, *Shanghai waishi zhi*, p. 321.

Conclusion

The elimination of the British business presence from Shanghai following the coming to power of the CCP in 1949 was one part of a much wider political, social and economic transformation. To paraphrase Mao, the CCP were not simply destroying the old world but were creating the new. In contrast to the decadent and decaying city the CCP inherited, 'New Shanghai' would be an independent, Chinese, socialist and orderly place. In this new Shanghai there would be no place for hangovers from the old world. Foreign businesses, which had entered China on privileged terms and which, in the Communists' eyes had dominated and degraded the competitiveness of the domestic economy, would not be welcome. Britain's long history of economic and political involvement in China was a source of great hostility, even if she had been eclipsed by America as the arch-imperialist on the world stage.

The problem lay in deciding how to go about removing the British presence from the city. Was this a moment of radical anti-imperialist triumph? The CCP's propaganda presented it as such, but in fact the situation on the ground was much less ideologically satisfying. This multi-layered account has embraced the everyday interactions on the factory floor, the mistakes, missteps and mutual misunderstanding that are so important in understanding this period of transition. The CCP were not a nearly omnipotent, ruthless and effective force with a long-term plan for eliminating the British business presence. In fact, much of their policy was provisional and poorly implemented. Long-term, revolutionary and transformative goals were compromised in favour of short-term economic stability. How does inform our conception of the CCP in the early years of the People's Republic? It has been argued in this thesis that, contrary to received wisdom, the CCP were not strong and efficient, they were actually quite weak in terms of manpower, skills and resources (the People's Liberation Army were of course the paramount military force in China and so it would be foolish to refer to the CCP as entirely 'weak'). Their great strength lay in their awareness of their own weaknesses and in their ability to work around them. This was chiefly achieved by employing strict secrecy and by erecting a façade of unresponsiveness to foreign diplomats and businessmen. This put the CCP firmly in control of all interactions and left their true intentions a mystery. They were also willing to use deception and ruthless force when they considered it necessary.

The CCP were hostile towards foreign capitalists from the very beginning. This did not, however, equate to a plan for eliminating them. In the earliest days of the Communist takeover the CCP had only got as far as developing the 'non-recognition policy' and putting foreigners on the back foot. Their refusal to engage with foreigners when it didn't suit them left them in a position of strength. By obscuring their real intentions the CCP encouraged a degree of optimism in some businessmen and removed the right of others to protest when they felt that they had been treated unfairly. Their aim was to completely transform Shanghai, but because dealing with foreigners was of secondary importance to them when balanced against dealing with other domestic problems, such as ensuring public order and economic stability; they took a long-term and flexible approach and maneuvered foreign firms into positions of weakness before taking them over or closing them down.

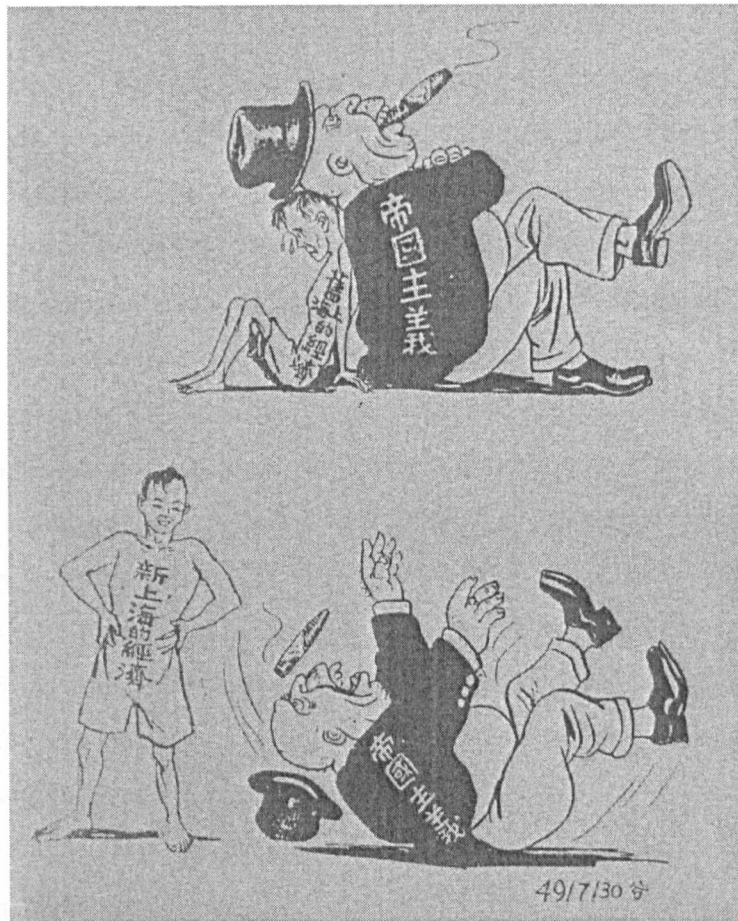
After the takeover, the Communists found it relatively easy to pressure foreign cultural organisations (schools, newspapers and churches etc.) into closing. The closure of businesses had wider economic implications however, and these also needed consideration. At first British businesses were dealt with along similar lines to Chinese businesses. Under the banner of New Democracy the CCP sought to co-opt 'national capitalists' to unite the country behind the broad goal of economic reconstruction to ease unemployment and curb inflation. On similar lines, foreign firms were promised protection and were encouraged to stay in China in order to prevent economic collapse.¹

This encouragement did not preclude them from being 'squeezed.' 'Squeezing' was used to extract revenue and to break their positions of near monopoly. Chinese firms were similarly 'restricted' and 'controlled' as the government directly intervened in the economy to establish economic order. For several years the majority of British businessmen sought to wait out this 'squeezing' in the hope of better things to come, or of gaining future compensation once the CCP grew impatient and decided to expropriate their assets. Expropriation was not forthcoming for the majority. A much reduced British population struggled to maintain their position in the face of economic pressures and militant workforces. Life for foreigners remaining in Shanghai became increasingly claustrophobic as the community shrank in size and their favourite haunts were closed. Agency was removed from the managers of the larger

¹ He *et al.*, *Shanghai waishi sishi nian*, pp. 15.

firms as they were not allowed to sell or close their businesses. Foreign managers were designated 'responsible persons' who were personally liable for their company's actions. They faced imprisonment for defaulting on wage or tax payments and were not granted exit permits until the affairs of their companies were resolved to the satisfaction of the Chinese.

Figure 23: New Shanghai's economy escapes imperialism, 30/7/49



The first image shows 'Old Shanghai's economy' being crushed by imperialism, in the image below 'New Shanghai's economy' has sprung out from under the weight of imperialism, toppling it.

The Communists had to strike a difficult balance between gaining revolutionary legitimacy through long-term transformation with more pragmatic concerns based on immediate circumstances. At first, Chinese workers in foreign companies were given almost free reign to cause trouble. When the Communists had Shanghai's labour force more under their control

a stricter policy was enforced that aimed at preventing tense situations from getting out of hand. In firms that were taken over, such as the British Tram Company and the Orient Paint, Colour and Varnish Company, the priorities of the takeover teams were to maintain production, to ensure a stable handover and to retain the original staffs and organisations and not to fundamentally transform the enterprises. Once the new owners were firmly in control more radical changes would follow.

In 1952 the Chinese Government decided to adapt their existing 'squeezing' techniques into a mechanism for pressuring foreign firms into voluntarily transferring all of their assets against all of their liabilities. Foreign firms were not allowed to dispose of their assets in any other way, unless they obtained the government's approval. This allowed the CCP to set the pace of the transition, bleeding the companies' resources before finally taking them over. These 'transfers' were, on paper at least, entirely legal and voluntary. In reality, a thin veneer of legality had been laid over a wide-scale expropriation. The CCP had developed an extremely effective and pragmatic policy of expropriation which denied the British firms any recourse but to comply. The method by which they carried out their seizure of British goods was also calculated so as to ensure short-term economic stability. A prolonged 'squeeze' followed by a series of voluntary transfers meant that there was no single event that would provoke serious retaliation (diplomatic, military or economic) from the British Government. Neither side had particularly benefitted from the round of retaliatory requisitions that had taken place in 1951. The British, the Chinese correctly calculated, were more concerned with the preservation of Hong Kong and with the possibility of future trade.

Chinese secondary accounts portray the decision of foreign companies to offer their assets up for 'transfers' as resulting from the hostile actions of foreign powers towards China. Their desperate economic situation was the result of the American-led embargo. Britain's uncertain attitude towards New China and towards severing ties with the American-backed Guomindang had harmed its interests in Shanghai. There was also, they said, something in the nature of British businesses that made them unsuccessful: they had previously relied on their 'special privileges' to exist, with 'New China' under transformation, they could no longer operate as they once had. They therefore looked towards 'transfers' to escape their situations.²

² He et al., *Shanghai waishi sishi nian*, pp. 15.

The fact that the British firms signed legal documents stating that these were 'voluntary transfers' seriously damaged the chances of future compensation claims. The British Foreign Office began to consider the issue of compensation with the improvement in relations that followed the Geneva Conference in 1954. The general feeling was that this was not the time to bring up this issue. It would be preferable, urged one senior figure, not to push the Chinese into an unfavourable decision now, especially when things might improve in the future. It would be best to get all the remaining British firms and their staffs out of China before pursuing such claims. Furthermore, a claim was soon to be made against the Chinese for the shooting down of a Cathay Pacific plane near Hong Kong. It would be better to deal with this situation first rather than confusing this issue and potentially having to deal with Chinese counter-claims for the expropriations of the Chinese aircraft in Hong Kong and the requisitioned Yunghao tanker.³

It would, in any case, be difficult to assign a value for expropriated assets in Shanghai. A commonly quoted (but unofficial) estimate of the value of British investments in China in 1949 was £300 million. John Keswick estimated British interests in Shanghai alone to be worth £160 million.⁴ In another sense, however, fixed assets in China were also almost completely without value after the Communist takeover as the political and economic conditions in the country prevented them from being profitable. Very seldom were foreign companies allowed to remit profits out of the country.⁵ Over the decade of war and instability that had followed the last 'normal' trading year of 1940, the value of British assets in China had, in any case, been written down to merely nominal figures. The British Charge d'Affaires in Beijing, John Hutchinson, noted that in the case of companies such as the textile giants Patons & Baldwins, the capital they had initially invested in China had been repaid many times over in the form of profits. The loss of their assets 'would not necessarily mean an equivalent loss of investment.'⁶

³ TNA FO 676/493, Foreign business interest in China: British, 1954, Part 2; Crowe, Foreign Office to Trevelyan Beijing, 4/9/54; Trevelyan, Beijing to Crowe, Foreign Office, 19/7/54.

⁴ TNA FO 371/83347 British Commercial Policy in China: Trading conditions and positions of British firms in China, 1950; J.S.H. Shattock Memorandum on Parliamentary Question, British Assets, China, 6/5/50 (question asked 8/5/50 by Mr. Gammans to Mr. Ernest Davies).

⁵ TNA FO 371/83345, British Commercial Policy in China: Trading Conditions and Positions of British firms in China, 1950; Shanghai to Foreign Office, No. 317, 1/4/50.

⁶ TNA FO 371/83348, British Commercial Policy in China: Trading conditions and positions of British firms in China; John Hutchinson, Beijing to FO, No. 611, 20/5/50.

In the long term, the issue of compensation could only really be pursued when relations between the two sides improved. After the death of Mao in 1976 China implemented a series of economic reforms that saw it progressively reopened to Western companies. British companies in Hong Kong were well positioned to take advantage of this opportunity. Many of these firms, including Jardine, Matheson & Co., HSBC and Butterfield & Swire had been 'squeezed' out after 1949. With the resumption of trade the issue of compensation was again raised, but the firms decided that they did not want to jeopardise future commercial opportunities through the pursuit of past slights. In any case, the foreign firms would not have a strong legal position from which to make such claims as their assets had been handed over 'voluntarily.'⁷

Just over thirty years after the Communist takeover in 1949 Shanghai again became a booming commercial centre. China was once more opened to British business, booming in the early 1990s. While the elimination of the British presence after 1949 marked the end of an era it was not the end of Britain in China. In hindsight we can see that the change in Shanghai was not definitive, it was but one of a series of reconfigurations that the city has undergone since foreigners first arrived there in 1843: Over nearly 170 years Shanghai has been through many transformations, accepting and rejecting foreigners and foreign influences to varying degrees.

A few Britons continued to live in Shanghai throughout the Maoist era. HSBC man W.A. Stewart recalled living a 'quiet life' as the Bank's representative in Shanghai from 1958 to 1961. He lived in a 'beautiful house with extensive grounds' where he was relatively cut off from Chinese society. The Bank, which had been unable to close because of its frozen dollar assets, was given just enough business from government corporations to survive, it served as a useful avenue for assisting China's export trade.⁸ Even during the tumultuous Cultural Revolution, British ships continued to call at Chinese ports. Trade with China never really ended.

⁷ JSSCA, CHINACL6, Correspondence on issue of compensation, 1981, 1988; R.A. Schlee, John Swire & Sons to C.M. O'Connor, Ocean Transport and Trading Ltd., 20/8/81.

⁸ HSBC 1641-055-C, Oral History, William Alexander Stewart.

Despite the continued presence of a few foreign firms and individuals throughout the Maoist era and the return of the foreign firms in the reform era, the elimination of the British presence after 1949 did spell the end of 'Britain in China' in one very real sense. This was not just the takeover of British assets by the Chinese, but the end of a way of thinking about China and Shanghai, and of a way of life. As Robert Bickers has argued, 'Britain in China' was not simply a collection of businesses presided over by a diplomatic body, it was a tangible community with its own interests and multiple identities with its locus in Shanghai.⁹ After 1949 this world was dismantled in a process akin to the decolonisation of Britain's formal and informal empire. First to go were the cultural trappings, the organisations that were the tools of 'cultural aggression'. Foreigners who committed offences in Shanghai were taught that the Chinese were now in control and that their assumptions of immunity were no longer valid. Propaganda focused on the assertion of Chinese sovereignty, national renewal and of holding foreigners to account for past and current 'humiliations'. The city underwent a spatial reconfiguration as former sites of 'imperialist influence', including the Shanghai Racecourse, were transformed into sites that served the purposes of the new socialist republic. Chinese Government organisations occupied the grand offices and hotels that lined the Bund and repurposed them to 'serve the people.' The economic presence was last to go. With it went the Britons themselves, the large settled community, many of whom saw Shanghai as their home in the long or short term and even, for some, as their birthright. They retreated to Hong Kong, to Britain and to new homes in the wider British Empire and British world.

Occasional rows over Britain's past actions in China occasionally do flare up, but when British firms re-entered China their passage was smoothed by the absence of too overt an imperialist legacy. Shanghai is now receptive to all things foreign. Foreign capitalists are now welcomed back and encouraged to invest. In 2010 the city 'welcomed the world' to the Shanghai Expo. China consumes Western products and culture (albeit not as uncritically as some may suppose). British luxury brands increasingly look to China's nouveau riche to buy their products which are, to the Chinese eye, synonymous with gentility and refinement. Despite this, the expurgation of foreign businesses and individuals from 1949 onwards fundamentally redefined the grounds on which foreigners have been received. The Bund remains the symbolic heart of the city. Foreign businesses (including Armani and Dolce & Gabbana) have re-occupied parts of this valuable real estate, on the top of each of its tall

⁹ Bickers, *Britain in China*, pp. 10-15.

Western-style buildings, however, flies a red, five-starred Chinese flag. The city's true ownership is not in doubt.

Figure 24: Chinese flags fly over the Shanghai Bund



The ending of the British presence gave credibility to the claims of the anti-imperialist CCP. Despite the Guomindang's many successes in the field of diplomacy (including the ending of extraterritoriality and the retrocession of the foreign concessions) they had not overseen an almost total elimination of the foreign presence on the scale of that carried out after 1949. The CCP had fulfilled one of their key revolutionary promises and had succeeded in getting rid of the foreigners. They had gone far further than the GMD in asserting China's independence. The narrative they created of China 'standing up' (in the words of Mao Zedong), would become the CCP's single most important source of legitimacy in the years to come.¹⁰

Anti-imperialism has been enshrined in the prologues of all of the various Chinese constitutions that have been written since 1949.¹¹ This anti-imperialism, it should be remembered, was not simply negative in nature; it was seen as one part of the creation of a

¹⁰ Mao, 'Opening Address to the Chinese People's Consultative Conference,' 21/9/49, *People's Daily*, 22/9/49.

¹¹ William L. Tung, *The Political Institutions of Modern China* (The Hague, Nijhoff, 1964).

better future. It was hoped that the removal of foreign imperialist influences would bring a new and independent China into being, strengthen the Chinese economy and help lift its people from poverty. That dream was not fulfilled during the Maoist era. British businesses may have lost out economically, but it is true to say that the British had less to lose than the Anglophone and westernised classes of Chinese friends, assistants, compradors and managers they left behind. These people found that as nationalism hardened the Sino-foreign grey area they had once inhabited shrank and disappeared. They had to make difficult choices between fleeing the mainland for Taiwan or Hong Kong, abandoning their homes, and potentially their families in the process, or staying and trying to accommodate themselves to the new order. Many were branded the 'running dogs' of foreign imperialism and suffered terribly in the years that followed.

Events since the death of Mao in 1976 have demonstrated that the pragmatism shown by the CCP in the early 1950s was by no means exceptional. The CCP's attitudes towards problems as diverse as embarking on economic reform (without large-scale political liberalisation) and the recovery of Hong Kong under the 'one country two systems' model have demonstrated a high degree of flexibility in practice while rhetoric has often remained ideological in tone. At international meetings (like the recent Copenhagen climate accords) China's elite bureaucrats frequently out-think and out-manoeuvre Britain's career politicians. As China's position in world affairs comes to be increasingly strong and the West seems to enter into a period of relative decline the incentive for the Chinese to seek cooperation would seem to diminish. This has led to a great deal of concern from Britons and other Westerners who fear the rise of a newly assertive China. It is worth remembering, however, that above all the CCP have a long history of pragmatism. Rather than asserting themselves at the West's expense, it is likely that the CCP will continue to recognise the utility of Western markets for Chinese products. Long-term considerations based upon China's own best interests are likely to remain its central concern in its strategic planning.

Provenance of Images

Figure 1: The Shanghai Bund c. 1929

From the British Steel Archive Project collection in Historical Photographs of China

Visualising China: URL: <http://visualisingchina.net/#hpc-bs-s01> (accessed 29/1/12).

Figure 2: The Bund and Huangpu River, Shanghai, 1945

University of Bristol - Historical Photographs of China

Photograph by Air Vice Marshal A.L. Fiddament, taken during a round the world fact finding trip, 3/12/45. Visualising China: URL: <http://visualisingchina.net/#hpc-rb-t894> (accessed 29/1/12).

Figure 3: The Chinese People's Army passes by the Park Hotel, West Nanking Road, May 1949

Virtual Shanghai: URL: <http://www.virtualshanghai.net/Image.php?ID=2096> (accessed 29/1/12).

Figure 4: Tianjin street Scene, 1930s-40s

Virtual Shanghai: URL: <http://visualisingchina.net/#hpc-gr01-120> (accessed 29/1/12).

Figure 5: Photograph of bronze plaque on the front of Customs House, Shanghai
Howlett, 2010.

Figure 6: People's Liberation Army troops enter Shanghai, May 1949

Virtual Shanghai: URL: <http://www.virtualshanghai.net/Photos/Images?ID=260> (accessed 29/1/12).

Figure 7: Bill Matheson apologises to Wang Zhenguo

SMA B261-1-65, *Shanghai Shi Yingdian dang zongzhi 1952 nian zhengyong Yingshang dianche gongsi de fangan, baogao, xiaogao, xuanchuan ziliao* [Shanghai CCP British Tram Company central branch 1952 plan for expropriation of British Tram Company, reports, brief reports and propaganda materials], November – December 1952.

Figure 8: Two unidentified foreign men face trial in a Shanghai court

SMA H1-21-19-8, *Shanghaishi Junguanhui xuan 'pan quzhu diguozhuyi fenzi'* [Shanghai Military Control Committee declares 'sentence of deportation for imperialists'], 1949.

Figure 9: *The Shanghai News*, 'Chinese People's Victory,' 5/10/50

The Shanghai News, 'Chinese People's Victory,' 5/10/50.

Figure 10: Celebrations at the takeover of the Kailuan Mining Administration (1)

Huanbohai Xinwen [Huanbohai News]; 'The People's Government takes Kailuan under administration.'

URL: <http://ep.big5.huanbohai.com.cn/system/2010/04/14/010662186.shtml> (accessed 29/1/12).

Figures 11 and 12: Celebrations at the takeover of the Kailuan Mining Administration (2 and 3). As above.

Figure 13: Linson Dzau

Assembly, Vol 37 No 1, June 1978, p. 128

Figure 14: Offices of the British Tram Company

Howlett, 2010; Address: 185 Nan Suzhou Lu, Shanghai.

Figure 15; Shanghai Tramway Company workers convert a tram to celebrate 'Liberation'

SMA H1-28-17-52, *Shanghaishi Gonggong Jiaotong Shi (chelle bian)- 'Yingdian' gongren zhidu 'jiefang hao' yougui caiche* [History of Shanghai Municipal Transportation (carriages edition)- 'British Trams' workers decorate a 'Liberation service' tram], May 1949.

Figure 16: 'Liberation' tram on Nanjing Road

SMA H1-21-1-42, *Wei qingzhu guoqing wu nian Shanghaishi zai ge zhuyao lukou, shangdian, zhuming jiankongwu bushu de jingdian ji yejing (tu wei jiefang hao caiche)* [Scenes and nightscapes decorated at all important crossroads, shops and famous architectural landmarks to celebrate five years of liberated Shanghai (Picture of a decorated Liberation service tram)].

Figure 17: Orient Paint, Colour and Varnish Co. Ltd labels

SMA Q38-1-20-11, *Jieguan qian shangbiao yang zhang* [Pre-liberation trademarks and advertising], c. 1953.

Figure 18: Orient Paint, Colour & Varnish Co. Ltd. factory

Visualising China: URL: <http://visualisingchina.net/#hpc-sw08-118> (accessed 29/1/12).

Figure 19: Anthony Eden and Zhou Enlai at Geneva

Lian Zhengbao, *Jianguo Chuqi de Waijiaobu* (The Foreign Ministry in the Early Years of the People's Republic) (Beijing, Shijie Zhishi Chubanshe, 2005)

Figure 20: An unidentified foreign man changing his money as the newly released *Renminbi* begins to circulate in Shanghai, March 1955

SMA H1-21-9-2, *1955 nian 3 yue xinban renminbi kaishi zai Shanghai faxing (tuwei waiqiao zai duihuan xin renminbi de qingjing)* [March 1955 New *Renminbi* begins to circulate in Shanghai (picture of a scene in which a foreigner is converting money to the new *Renminbi*)].

Figure 21: View of the Bund showing the Cathay Hotel

Virtual Shanghai: URL: <http://www.virtualshanghai.net/Photos/Images?ID=5> (accessed 29/1/12).

Figure 22: Astor House Hotel and Garden Bridge

Virtual Shanghai: URL: <http://www.virtualshanghai.net/Photos/Images?ID=1> (accessed 29/1/12).

Figure 23: New Shanghai's economy escapes imperialism, 30/7/49

Feng Shaoting, *Jiefang Shanghai* [Liberate Shanghai] (Shanghai Shudian Chubanshe [Shanghai Bookshop Printing House], 1999), p. 196

Figure 24: Chinese flags fly over the Shanghai Bund

Howlett, 2010.

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MFA: Ministry of Foreign Affairs of the People's Republic of China, 2 Southern Street, Chaoyang men, Chaoyang District, Beijing, 100701.

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